



The former Parramatta City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

The former Parramatta City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
1. Understanding Council's Financial Statements	2
2. Financial Overview	3
3. Statement by Councillors and Management	5
4. Primary Financial Statements:	
– Income Statement	6
– Statement of Comprehensive Income	7
– Statement of Financial Position	8
– Statement of Changes in Equity	9
– Statement of Cash Flows	10
5. Notes to the Financial Statements	11
6. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	91
– On the Conduct of the Audit (Sect 417 [3])	93

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for the former Parramatta City Council.
- (ii) The former 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 1993 (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and 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 City Of Parramatta Council on 02 December 2016. Council has the power to amend and reissue these financial statements.
-

The former Parramatta City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 12 May 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise 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 and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

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

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

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

The former Parramatta City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Financial Overview

City of Parramatta Council has prepared the financial statements for the former Parramatta City Council on a modified reporting basis following the Proclamation of the City of Parramatta Council 12 May 2016.

The proclamation effectively dissolved the former Parramatta City Council and the financial reports are prepared for this entity based on the financial position and performance based on the balances as of the 12 May 2016.

The NSW Office of Local Government (OLG) has mandated the required accounting treatment and subsequent reporting requirements for Councils subject to a Proclamation, via two supplements to the Code of Accounting Practice Update No. 24 and direct correspondence and these requirements include the following:

- City of Parramatta Council is to prepare its financial statements for the former Parramatta City Council in accordance with the going concern principle as the proclamation transfers all assets, liabilities and rights to the new entity
- City of Parramatta Council is authorised to prepare and issue the financial statements of the former Parramatta City Council.
- The former Parramatta City Council is to recognise its rates revenue in full (100%) in the reporting period covered by the financial reporting period 1 July 2015 to 12 May 2016.
- The former Parramatta City Council is to recognise its general purpose grants revenue (FAGS, Pensioner Subsidy) in full (100%) in the reporting period covered by the financial reporting period 1 July 2015 to 12 May 2016.
- Expenditure is to be recognised to the date of the proclamation 12 May 2016.

City of Parramatta Council has prepared the financial statements in accordance with the requirements of the code of accounting practice and advice from the OLG in accordance with Local Government (General) Regulation 2005 (Reg. 206).

Preparing the financial statements in accordance with these requirements will impact in the financial statements in the following areas:

1. The Income Statement

In recognising the full (100%) revenue for Rates and general purpose grants councils reported net operating result is overstated as disclosed on the Income Statement as follows:

Item	\$'000
Net Operating Result	35,815
Less proclamation revenue adjustment	(15,726)
Revised Net Operating Result	20,089

This will flow on to the operating result before capital grants and contributions:

Item	\$'000
Net Operating Result before capital revenue	14,035
Less proclamation revenue adjustment	(15,726)
Revised Net Operating Result before capital revenue	(1,691)

2. The Statement of Financial Position

As a result of the recognition and timing of proclamation Council's has reported an inflated accounts receivable balance for its outstanding rates and annual charges and also a balance for the general purpose revenue not received during the reporting period.

The former Parramatta City Council has recognised an adjustment of \$14.4m in relation to the what the impact of pro-rata of the rates revenue and has assumed that this would be the adjustment as at reporting period in accounts receivable balance in these financial statements. Council has also recognised accounts receivable balance of \$1.14m for the fourth instalment of the Financial Assistance Grant received post 12 May 2016 and recognised the revenue in full as required by OLG reporting requirements.

Council has included these as values as internal restrictions in Note 7.

3. Performance indicators

Several of the former Parramatta City Council's performance indicators as disclosed in Note 13 to the

The former Parramatta City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Financial Overview

financial statements are impacted by the accounting treatment of the revenue streams outlined above. These are mainly the operating performance ratio and the outstanding rates and annual charges ratio. The former City of Parramatta Council discloses an alternate operating performance ratio on Note 13 which takes into account the adjustments made to the alternate operating result disclosed at the bottom of the Income Statement.

The benchmark for outstanding rates and annual charges for metropolitan councils is <5% and due to the recognition of a full year of rates revenue and the timing of proclamation, being before the due date Council has disclosed the outstanding rates as at the 12 May 2016. If Council had not been subject to a proclamation this ratio would have been in line with previous years and under the benchmark.

Future Impact

In the future financial reports of the new City of Parramatta Council, the accounting treatment for the transfer of assets and liabilities will be recognised. The first reporting period for this entity will be from 13 May 2016 to 30 June 2017 and in these reports the expenditure for the period post proclamation date will be included.

While no formal advice from the OLG on accounting treatment has yet been received, there has been an indication that the revenue for general purpose revenue recognised in full in the former Parramatta City Council will be recognised on a pro-rata basis with the requirements to change boundaries with Cumberland Council (former Auburn and Holroyd Councils), Hills Shire Council and Hornsby Shire Council. The treatment of these transactions will be processed via the income statement in the first reporting period as a separate disclosure under Local Government Amalgamation on the Income Statement. This disclosure will be supported by the required supporting notes to ensure that the transactions and the result on amalgamation process are adequately explained.

Summary

Although subject to the modified reporting period and a future as an expanded new entity as City of Parramatta Council, the underlying financial position of the former Parramatta City Council was sound and stable and provides a base for the delivery of

services to the community of the City of Parramatta Council into the future.

The former Parramatta City Council

General Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

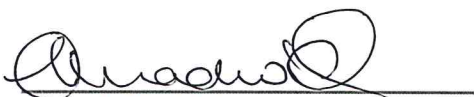
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the period, 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 City Of Parramatta Council made on 28 November 2016.



Amanda Chadwick
Administrator



Greg Dyer
Interim General Manager



Craig Becroft
Responsible Accounting Officer

The former Parramatta City Council

Income Statement

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations				
Revenue:				
n/a	Rates and annual charges	3a	128,192 ²	126,982
n/a	User charges and fees	3b	30,037	33,181
n/a	Interest and investment revenue	3c	6,934	7,729
n/a	Other revenues	3d	8,037	8,716
n/a	Grants and contributions provided for operating purposes	3e,f	18,313 ³	19,738
n/a	Grants and contributions provided for capital purposes	3e,f	21,780	24,123
Other income:				
n/a	Net gains from the disposal of assets	5	1,134	595
n/a	Net share of interests in joint ventures and associates using the equity method	19	506	484
n/a	Total income from continuing operations		214,933	221,548
Expenses from continuing operations				
n/a	Employee benefits and on-costs	4a	79,902	83,485
n/a	Borrowing costs	4b	3,478	4,292
n/a	Materials and contracts	4c	39,194	51,514
n/a	Depreciation and amortisation	4d	34,943	34,865
n/a	Other expenses	4e	21,601	24,116
n/a	Total expenses from continuing operations		179,118	198,272
n/a	Operating result from continuing operations		35,815	23,276
n/a	Net operating result for the period		35,815	23,276
n/a	Net operating result attributable to Council		35,815	23,276
n/a	Net operating result for the period before grants and contributions provided for capital purposes		14,035	(847)
Alternate operating result adjustments				
n/a	(Gain) / loss on interest in joint venture (from above)		(506)	(484)
n/a	(Gain) / loss from disposal of assets (from above)		(1,134)	(595)
n/a	Impact on recognition of prorata revenue treatment (refer note 29)		(15,726) ⁴	-
n/a	Parramatta Stadium Contribution (Reversal in 2015/16)		(1,906)	3,000
n/a	Accelerated depreciation on Parramatta Pool assets		7,567	-
n/a	Accelerated depreciation on Parramatta Square buildings		-	2,899
n/a	Adjusted net operating result after adjusting for one off expenses or revenues		2,330	3,973

¹ Original budget as approved by Council is not required for these financial statements.

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

³ Federal Assistance Grants (FAGs) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGs includes the last quarter FAG payment received on 17/5/16.

⁴ Adjustment to net operating result if Rates and FAG income had been pro rata'd for the period 1/7/15 - 12/5/16

The former Parramatta City Council

Statement of Comprehensive Income

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Net operating result for the period (as per Income Statement)		35,815	23,276
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
Adjustment to correct prior period errors		(2,683)	229,345
Gain (loss) on revaluations of non-current assets held for sale	20b (ii)	–	(54)
Total items which will not be reclassified subsequently to the operating result		(2,683)	1,439,026
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the period		(2,683)	1,439,026
Total comprehensive income for the period		33,132	1,462,302
Total comprehensive income attributable to Council		33,132	1,462,302

The former Parramatta City Council

Statement of Financial Position
as at 12 May 2016

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,511	16,535
Investments	6b	158,467	190,565
Receivables	7	28,123	17,587
Inventories	8	118	96
Other	8	217	445
Non-current assets classified as 'held for sale'	22	141,061	146,055
Total current assets		345,497	371,283
Non-current assets			
Investments	6b	26,890	35,235
Receivables	7	2,249	1,880
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	5,088,973	5,034,321
Investments accounted for using the equity method	19	4,974	4,468
Investment property	14	–	–
Intangible assets	25	2,713	3,718
Total non-current assets		5,125,799	5,079,622
TOTAL ASSETS		5,471,296	5,450,905
LIABILITIES			
Current liabilities			
Payables	10	35,449	42,528
Borrowings	10	13,787	10,471
Provisions	10	24,575	23,234
Total current liabilities		73,811	76,233
Non-current liabilities			
Payables	10	–	–
Borrowings	10	59,257	70,302
Provisions	10	1,401	675
Total non-current liabilities		60,658	70,977
TOTAL LIABILITIES		134,469	147,210
Net assets		5,336,827	5,303,695
EQUITY			
Retained earnings	20	1,280,487	1,244,672
Revaluation reserves	20	4,056,340	4,059,023
Council equity interest		5,336,827	5,303,695
Non-controlling equity interests		–	–
Total equity		5,336,827	5,303,695

The former Parramatta City Council

Statement of Changes in Equity

for the period 1 July 2015 to 12 May 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
1/7/15 to 12/5/16						
Opening balance (as per last year's audited accounts)		1,244,672	4,059,023	5,303,695	–	5,303,695
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
Revised opening balance (as at 1/7/15)		1,244,672	4,059,023	5,303,695	–	5,303,695
c. Net operating result for the period		35,815	–	35,815	–	35,815
d. Other comprehensive income						
– Other movements (N9a prior period adjustments)	20b (ii)	–	(2,683)	(2,683)	–	(2,683)
Other comprehensive income		–	(2,683)	(2,683)	–	(2,683)
Total comprehensive income (c&d)		35,815	(2,683)	33,132	–	33,132
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
Equity – balance at end of the reporting period		1,280,487	4,056,340	5,336,827	–	5,336,827

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
1/7/14 to 30/6/15						
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 year		1,244,672	4,059,023	5,303,695	–	5,303,695

The former Parramatta City Council

Statement of Cash Flows

for the period 1 July 2015 to 12 May 2016

Budget ¹ 1/7/15 to 30/6/16	\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Cash flows from operating activities				
Receipts:				
n/a	Rates and annual charges		112,743	127,257
n/a	User charges and fees		31,275	32,394
n/a	Investment and interest revenue received		8,086	6,583
n/a	Grants and contributions		43,925	46,037
n/a	Bonds, deposits and retention amounts received		2,258	5,477
n/a	Other		19,356	7,598
Payments:				
n/a	Employee benefits and on-costs		(79,605)	(81,308)
n/a	Materials and contracts		(51,890)	(44,318)
n/a	Borrowing costs		(3,060)	(4,303)
n/a	Bonds, deposits and retention amounts refunded		–	(3,548)
n/a	Other		(23,396)	(27,699)
n/a	Net cash provided (or used in) operating activities	11b	59,692	64,170
Cash flows from investing activities				
Receipts:				
n/a	Sale of investment securities		198,910	106,278
n/a	Sale of infrastructure, property, plant and equipment		7,796	189,914
Payments:				
n/a	Purchase of investment securities		(158,312)	(231,368)
n/a	Purchase of infrastructure, property, plant and equipment		(99,381)	(107,926)
n/a	Contributions paid to joint ventures and associates		–	68
n/a	Net cash provided (or used in) investing activities		(50,987)	(43,034)
Cash flows from financing activities				
Receipts:				
n/a	Proceeds from borrowings and advances		–	7,000
Payments:				
n/a	Repayment of borrowings and advances		(7,454)	(19,398)
n/a	Net cash flow provided (used in) financing activities		(7,454)	(12,398)
n/a	Net increase/(decrease) in cash and cash equivalents		1,251	8,738
n/a	Plus: cash and cash equivalents – beginning of reporting period	11a	16,260	7,522
n/a	Cash and cash equivalents – end of reporting period	11a	17,511	16,260
Additional Information:				
	plus: Investments on hand – end of reporting period	6b	185,357	225,800
	Total cash, cash equivalents and investments		202,868	242,060

¹ The original budget as approved by Council is not required for these financial statements

Please refer to Note 11 for additional cash flow information

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12
2(a)	Council functions/activities – financial information	31
2(b)	Council functions/activities – component descriptions	32
3	Income from continuing operations	33
4	Expenses from continuing operations	38
5	Gains or losses from the disposal of assets	43
6(a)	Cash and cash equivalent assets	44
6(b)	Investments	44
6(c)	Restricted cash, cash equivalents and investments – details	46
7	Receivables	48
8	Inventories and other assets	49
9(a)	Infrastructure, property, plant and equipment	50
9(b)	Externally restricted infrastructure, property, plant and equipment	51
9(c)	Infrastructure, property, plant and equipment – current period impairments	51 n/a
10(a)	Payables, borrowings and provisions	52
10(b)	Description of (and movements in) provisions	53
11	Statement of cash flows – additional information	54
12	Commitments for expenditure	55
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	57
	13a (ii) Local government industry graphs (consolidated)	58
14	Investment properties	60 n/a
15	Financial risk management	60
16	Material budget variations	63 n/a
17	Statement of developer contributions	64
18	Contingencies and other liabilities/assets not recognised	70
19	Interests in other entities	71
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	74
21	Financial result and financial position by fund	76 n/a
22	'Held for sale' non-current assets and disposal groups	76
23	Events occurring after the reporting date	77
24	Discontinued operations	77 n/a
25	Intangible assets	78
26	Reinstatement, rehabilitation and restoration liabilities	78 n/a
27	Fair value measurement	79
Additional council disclosures		
28	Council information and contact details	89
29	Additional disclosure on Proclamation impact on Specific General Purpose Operating Revenue	90

n/a – not applicable

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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)* and 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 IFRSs, 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)*, Regulation and Local Government Code of Accounting Practice and 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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(iv) Early adoption of accounting standards

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

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(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-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 and 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 periods presented, unless otherwise stated.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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) Preparation of the financial statements on a going concern basis

AASB 101 states that an entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

Whilst the former Parramatta City Council has been amalgamated into City of Parramatta Council from 12 May 2016, Council believes that the going concern basis for preparation of the financial statements for the period 1 July 2015 to 12 May 2016 is appropriate for the following reasons:

- The business of the Council is continuing through the City of Parramatta Council
- The Local Government (Council Amalgamations) Proclamation 2016 ensures:

- all relevant staff, assets, rights, liabilities and responsibilities of former councils are transferred to new councils

- new councils can commence operations on day one with minimal disruption to the delivery of services, council operations and staff duties

- any reference in any document to a former council is to be read as a reference to the new council, and that anything done by a former council before the amalgamation is taken to have been done by the new council.

- The former Parramatta City Council has not been liquidated nor has trading ceased.

(ii) Estimated fair values of investment properties

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

(iv) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(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:

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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. Rates are recognised as revenue for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30 June 2016.

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.

Control over granted assets/contributed 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 period.

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 and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(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.

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.

(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 that 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) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint ventures

Joint ventures represent operational arrangements where the 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 and reserves are recognised in the balance sheet.

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

Associates

Council has no interest in any associates.

The results of all joint ventures and associates for the financial year to 30 June 2016 have been used in determining the result for equity accounting purposes with any significant transactions which occurred between 12 May 2016 and 30 June 2016 being adjusted/excluded.

County councils

Council is not a member of any county councils.

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 former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and 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 or intention for which the investment was acquired and 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 and/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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

In contrast to the 'loans and 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 and 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'

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

category are included in the income statement in the period in which they arise.

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

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

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.

If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any

impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

(iii) Types of investments

Council has an approved Investment Policy in order to invest 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 – financial instruments

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that 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

(i) 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.

(ii) Inventory held for distribution

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

(iii) 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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 IPP&E were stated at their fair value:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures**
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Bulk earthworks** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks**
(external valuation) Not applicable
- **Swimming pools**
(as approximated by depreciated historical cost)
- **Other open space/recreational assets**
(as approximated by depreciated historical cost)

- **Other infrastructure**
(as approximated by depreciated historical cost)

- **Other assets**
(as approximated by depreciated historical cost)

- **Investment properties** – refer Note 1(p),

Due to the proclamation date of 12 May 2016, the Council had not completed revaluations for the 2015 / 2016 reporting period and therefore the following assets have not been revalued for these financial statements:

- Community Land (Council valued in 2014/15)
- Land Improvements
- Other Assets

Council has assessed the current carrying values of the above Asset Classes and do not believe that (at balance date) it is materially different from their fair value.

Initial recognition

On initial recognition, an asset's 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 (i.e. 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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 by DPI Water.

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

Plant and Equipment

Office Furniture	> \$5,000
Office Equipment	> \$5,000
Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
------------------------------	-----------

Building

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

Other Structures

> \$5,000

Stormwater Assets

Drains and Culverts	> \$5,000
Other	> \$5,000

Transport Assets

Road construction and reconstruction	100% Capitalised
Reseal/Re-sheet and major repairs:	100% Capitalised
Bridge construction and 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 in order to allocate an asset's 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 and Equipment

- Office Equipment	5, 8 and 10 years
- Office furniture	10 years
- Vehicles and road making equip.	5, 6 and 10 years
- Other plant and equipment	3 and 10 years

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 road assets 10 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 derecognition

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).

(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.

Council has not recognised any land under roads in its Property, Plant and Equipment assets.

(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 services, 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 5 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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(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 to 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) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis / open-market value determined annually by external valuers.

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every year / every 3 years with an appropriate index utilised each year in between the full revaluations.

Council currently has no items classified as investment properties.

(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and

environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

Council has no liability for remediation currently disclosed in its financial reports.

(r) Non-current assets (or disposal groups) 'held for sale' and 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 12 May and the replacement assets were already purchased and accounted for as at 12 May.

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.

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 former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

The results of discontinued operations are presented separately on the face of the Income Statement.

(s) Impairment of assets

All Council's IPP&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 and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of reporting period that are unpaid.

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

(u) 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.

(v) Borrowing costs

Borrowing costs are expensed.

(w) 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,
- 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 former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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.

(x) 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 and 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 4 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 4 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 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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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 Richard Boyfield, FIAA on 24/02/16 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 12 May 2016 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 period ending 12 May 2016 was \$ 1,255k.

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 \$893k as at 12 May 2016.

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 period 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 12/05/16.

(y) 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.

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

(z) Allocation between current and non-current assets and 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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

months (such as vested long service leave), the liability is classified as current even if it is 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.

(aa) 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 and 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, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that 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.

(ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 12 May 2016.

Council has not adopted any of these standards early.

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

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 and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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 when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

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

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

AASB 15 will introduce a 5-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 effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Summary of significant accounting policies (continued)

(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 2018.

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

(ac) Rounding of amounts

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

(ad) 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.

(ae) Disclaimer

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

(af) Specific Revenue Recognition as a result of proclamation

The former Parramatta City Council was amalgamated on 12 May 2016 with parts of the former Auburn Council, former Holroyd Council and boundary adjustments with Hills Shire Council and Hornsby Shire Council to form the new City of Parramatta Council. The former Parramatta City Council also transferred part of its existing LGA to the new Cumberland Council. In accordance with the Australian Accounting Standards the former Parramatta City Council has had to recognise 100% of the rates revenue for the 2015/16 rating year as control over assets acquired from rates is obtained at the commencement of the rating year or, where earlier, upon receipt of the rates.

The former Parramatta City Council has also recognised 100% of the Federal Assistance Grants (FAGs) revenue as grants are recognised upon receipt or upon earlier notification that the grant has been secured. As a consequence these financial statements include all the rates and FAGs revenue for the period from 1 July 2015 to 30 June 2016 but expenditure obligations only for the period 1 July 2015 to 12 May 2016. Expenditure obligations for the period from 13 May 2016 to 30 June 2016 will be included in the financial statements of the new City of Parramatta Council.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 ¹	Actual	Actual	Original budget ¹	Actual	Actual	Original budget ¹	Actual	Actual	Actual	Actual	Actual	Actual
	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 30/6/16	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Economy	n/a	688	1,674	n/a	5,031	5,319	n/a	(4,343)	(3,645)	–	–	392,979	343,410
Environment	n/a	43,002	44,492	n/a	33,895	38,473	n/a	9,107	6,019	731	856	–	–
Connectivity	n/a	26,608	31,619	n/a	21,416	24,334	n/a	5,192	7,285	5,542	9,213	1,069,121	1,064,144
People and Neighbourhoods	n/a	11,115	13,211	n/a	28,948	39,324	n/a	(17,833)	(26,113)	3,841	4,891	3,425,031	3,430,862
Culture and Sport	n/a	3,400	3,641	n/a	12,589	12,785	n/a	(9,189)	(9,144)	20	336	93,324	100,391
Leadership and Governance	n/a	14,870	13,727	n/a	77,239	78,037	n/a	(62,369)	(64,310)	–	2	485,867	507,630
Total functions and activities	n/a	99,683	108,364	n/a	179,118	198,272	n/a	(79,435)	(89,908)	10,134	15,298	5,466,322	5,446,437
Share of gains/(losses) in associates and joint ventures (using the equity method)	n/a	506	484	n/a	–	–	n/a	506	484	–	–	4,974	4,468
General purpose income ²	n/a	114,744	112,700	n/a	–	–	n/a	114,744	112,700	10,024	10,230	–	–
Operating result from continuing operations	n/a	214,933	221,548	n/a	179,118	198,272	n/a	35,815	23,276	20,158	25,528	5,471,296	5,450,905

1. Original budget disclosures are not required for these financial statements.

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 1/7/15 to 30/6/16	Actual 1/7/14 to 30/6/15
(a) Rates and annual charges ^{1,2}			
Ordinary rates ²			
Residential		51,675	49,972
Business		47,394	46,076
Total ordinary rates		99,069	96,048
Special rates ²			
CBD infrastructure		2,020	1,961
Economic development		739	723
Open space		2,406	2,333
Suburban infrastructure		1,877	1,827
Harris park		108	77
Total special rates		7,150	6,921
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		19,431	21,347
Waste management services (non-domestic)		1,195	1,332
Stormwater levy		1,347	1,334
Total annual charges		21,973	24,013
TOTAL RATES AND ANNUAL CHARGES		128,192	126,982

¹ Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

² Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

Had Council apportioned rates income to the 12/5/16 Proclamation date, then the following alternative income amounts would have been accounted for within these Statements:

Ordinary rates	85,799
Special rates	6,193
Annual charges	21,792
	113,784

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Nil			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Annual fire safety statement fee		155	83
Application for outstanding notices		56	66
Construction certificate		135	173
Construction zone fee		826	803
Cooling towers licence		32	61
Development advertising fee		407	409
Food premises licence		288	374
Hoarding fees		644	716
License fees		28	156
Payment processing fee		39	51
Planning and building regulation		3,727	4,396
Road occupancy fees		198	130
Road opening permits		1,051	1,267
Section 149 certificates (EPA Act)		394	448
Section 603 certificates		250	291
Section 611		36	139
Subdivision release fee		274	285
Tree preservation fees		127	161
Vehicle crossing inspection fees		24	43
Other		378	244
Total fees and charges – statutory/regulatory		9,069	10,296
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care		2,043	2,477
Golf course		465	522
Halls		270	457
Library incl. photocopy		54	55
Multi-level parking stations		9,404	9,139
Parks and reserves		269	272
Parking meters		3,987	5,100
Parramatta riverside theatres		2,540	2,598
Pools		1,727	1,999
Resident parking scheme		23	25
Other		186	241
Total fees and charges – other		20,968	22,885
TOTAL USER CHARGES AND FEES		30,037	33,181

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		205	228
– Interest earned on investments (interest and coupon payment income)		6,574	7,575
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		155	(74)
TOTAL INTEREST AND INVESTMENT REVENUE		6,934	7,729
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		205	228
General Council cash and investments		5,446	6,195
Restricted investments/funds – external:			
Development contributions			
– Section 94		1,283	1,306
Total interest and investment revenue recognised		6,934	7,729
(d) Other revenues			
Rental income – other council properties		1,362	2,091
Fines – parking		4,231	4,025
Fines – other		304	87
Legal fees recovery – rates and charges (extra charges)		304	271
Legal fees recovery – other		19	3
Building insurance and commission		6	7
Commissions and agency fees		12	11
Insurance claim recoveries		70	153
Outdoor dining rentals		180	220
Rebates		160	141
Riverside theatre bar and catering sales		612	656
Sales – general		292	526
Technical services – external		62	145
Other		423	380
TOTAL OTHER REVENUE		8,037	8,716

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(e) Grants				
General purpose (untied) ¹				
Financial assistance – general component	7,728	7,887	–	–
Financial assistance – local roads component	1,523	1,528	–	–
Pensioners' rates subsidies – general component	773	815	–	–
Total general purpose	10,024	10,230	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	224	272	–	–
Child care	1,744	1,847	–	–
Community services	254	86	–	–
Dept infrastructure planning and natural resources	–	–	–	909
Federal dept of education and training	–	91	–	–
Federal stimulus	–	–	450	400
Home support	972	1,029	–	–
Library	464	454	–	–
Ministry of the Arts	–	336	–	–
NSW government grants	60	58	–	–
Parks and reserves	–	–	–	10
Street lighting	604	683	–	–
Transport (roads to recovery)	–	–	2,059	746
Transport (other roads and bridges funding)	209	360	2,485	7,180
Waste services performance improvement payment	395	395	–	–
Other - Cultural	20	–	–	–
Other	100	98	94	344
Total specific purpose	5,046	5,709	5,088	9,589
Total grants	15,070	15,939	5,088	9,589
Grant revenue is attributable to:				
– Commonwealth funding	1,594	1,769	1,954	1,191
– State funding	12,158	14,170	3,134	8,398
	15,070	15,939	5,088	9,589

¹ Financial assistance grants (FAGS) are recognised as revenue upon their receipt or upon earlier notification that the grant has been secured. As such the revenue for FAGS includes the last quarter FAGS payment received 17 May 2016. If council had apportioned the General Purpose Grants it would have recognised \$8,706k as revenue for the period.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 3. Income from continuing operations (continued)

\$ '000	1/7/15 to 12/5/16 Operating	1/7/14 to 30/6/15 Operating	1/7/15 to 12/5/16 Capital	1/7/14 to 30/6/15 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	1,648	–
S 94 – contributions towards amenities/services	–	–	14,888	14,237
Total developer contributions	–	–	16,536	14,237
Other contributions:				
Kerb and gutter	24	75	–	–
Leaseback fees	621	618	–	–
LIRS subsidy	720	547	–	–
Long service leave contributions	155	180	–	–
Other sponsorship received	215	159	–	–
Paid parental leave	141	156	–	–
Parking space levy contributions	107	204	–	–
Road restoration contributions	726	1,390	–	–
Salary sacrifice motor vehicle contributions	170	213	–	–
Other	364	257	156	297
Total other contributions	3,243	3,799	156	297
Total contributions	3,243	3,799	16,692	14,534
TOTAL GRANTS AND CONTRIBUTIONS	18,313	19,738	21,780	24,123

\$ '000	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	36,005	36,373
Add: grants and contributions recognised in the current period but not yet spent:	18,017	1,553
Less: grants and contributions recognised in a previous reporting period now spent:	(9,412)	(1,921)
Net increase (decrease) in restricted assets during the period	8,605	(368)
Unexpended and held as restricted assets	44,610	36,005
Comprising:		
– Specific purpose unexpended grants	1,944	3,780
– Developer contributions	42,666	32,225
	44,610	36,005

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(a) Employee benefits and on-costs			
Salaries and wages		63,286	64,767
Travel expenses		83	71
Employee leave entitlements (ELE)		8,886	11,583
Superannuation		6,606	7,252
Workers' compensation insurance		1,350	39
Fringe benefit tax (FBT)		332	331
Training costs (other than salaries and wages)		997	894
Recruitment costs		325	786
Other		331	364
Total employee costs		82,196	86,087
Less: capitalised costs		(2,294)	(2,602)
TOTAL EMPLOYEE COSTS EXPENSED		79,902	83,485
Number of 'full-time equivalent' employees (FTE) as at 12/5/2016		805	791
Number of 'full-time equivalent' employees (FTE) at 12/5/2016 (incl. vacancies)		882	842
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,478	4,292
Total interest bearing liability costs expensed		3,478	4,292
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		3,478	4,292

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Materials and contracts			
Raw materials and consumables		4,977	5,824
Contractor and consultancy costs			
– Air conditioning external services		278	379
– Arts and cultural		24	69
– Australia day		572	328
– Building improvements		314	473
– Bushland maintenance		336	447
– Bushland protection and noxious weeds		327	410
– Catchment maintenance		138	143
– Cleaning external services		1,615	1,867
– Cleaning programme		84	151
– Concrete external services		–	2
– Consultancies		1,146	3,559
– Drainage maintenance		507	472
– Electrical external services		270	277
– External plant and equipment hire		459	553
– Fire protection equipment external services		158	353
– Footpath maintenance		485	375
– Garbage external services		3,057	3,513
– General events		661	525
– Graffiti removal/prevention		27	70
– ICT software maintenance		133	513
– IT technical support		22	88
– Leisure programs external services		176	218
– Library network		315	372
– Lift repairs and maintenance external services		81	294
– Local parks maintenance		165	181
– Locksmith external services		90	93
– Meals on wheels services		150	204
– Motor vehicle accident repairs		156	166
– Multi-level car parks		1,297	1,414
– Office equipment external services		99	101
– On street paid parking		364	424
– Other contractor and consultancy costs		1,328	1,572
– Other minor contracts		1,465	1,341
– Parks infrastructure maintenance		454	388
– Parramatta stadium (Adjustment re details in Note 17)	17	(1,906)	3,000
– Pavement maintenance		89	174
– Plant repairs		564	468
– Plumbing external services		248	374
– Pools external services		273	318
(continued on the next page...)			

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(c) Materials and contracts (continued)			
– Professional services		878	1,177
– Public tree maintenance		133	217
– Recycling external services		1,753	1,925
– Restorations		477	938
– Riparian maintenance		338	442
– Road waste removal external services		295	202
– Security external services		707	797
– Sporting grounds maintenance		160	285
– Sustainability and waste		202	202
– WASIP general projects		48	490
– Winterlight		34	234
– Tipping Fees		9,212	10,595
Auditors remuneration ⁽¹⁾		73	140
Legal expenses:			
– Legal expenses: planning and development		571	481
– Legal expenses: other		187	609
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		3,415	1,612
Total materials and contracts		39,481	51,839
Less: capitalised costs		(287)	(325)
TOTAL MATERIALS AND CONTRACTS		39,194	51,514
1. Auditor remuneration			
During the period, the following fees were incurred for services provided by the Council's Auditor:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		73	71
– Strategic financial modelling		–	69
Remuneration for audit and other assurance services		73	140
Total Auditor remuneration		73	140
2. Operating lease payments are attributable to:			
Buildings		2,631	532
Computers		784	1,080
		3,415	1,612

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual	Actual	Actual	Actual
		1/7/15 to 12/5/16	1/7/14 to 30/6/15	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Plant and equipment		–	–	1,937	2,120
Office equipment		–	–	390	422
Furniture and fittings		–	–	2,474	399
Land improvements (depreciable)		–	–	466	202
Infrastructure:					
– Buildings – non-specialised		–	–	943	7,127
– Other structures		–	–	1,530	1,448
– Roads		–	–	8,915	7,322
– Bridges		–	–	804	2,618
– Footpaths		–	–	1,409	3,624
– Stormwater drainage		–	–	2,571	2,853
– Swimming pools		–	–	3,893	185
– Other open space/recreational assets		–	–	7,874	4,755
Other assets					
– Heritage collections		–	–	9	8
– Library books		–	–	677	715
– Other		–	–	6	5
Intangible assets	25	–	–	1,045	1,062
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	34,943	34,865

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
(e) Other expenses			
Other expenses for the period include the following:			
Advertising		907	1,031
Artists in mall and other artists		1,279	1,501
Bad and doubtful debts		225	412
Bank charges		669	807
Carbon tax expense		10	9
Car registrations		197	277
Catering		525	604
Computer expenses		1,912	2,117
Contributions/levies to other levels of government			
– Department of Planning levy		266	261
– Emergency services levy (includes FRNSW, SES, and RFS levies)		299	255
– NSW Fire Brigade levy		1,558	1,479
Councillor expenses – mayoral fee		90	96
Councillor expenses – councillors' fees		322	386
Councillors' expenses (incl. mayor) – other (excluding fees above)		74	117
Donations, contributions and assistance to other organisations (Section 356)		909	846
Electricity and heating		1,335	2,095
Insurance		1,895	1,462
Lease compensation payments		46	–
Microfilming		134	116
Parking – seins costs		734	568
Parking space levy		1,725	1,969
Postage		384	380
Promotions and publicity		1,323	1,259
Rent collection costs		197	282
Scanning		–	60
Street lighting		2,035	2,756
Subscriptions and publications		403	514
Telephone and communications		688	572
Valuation fees		213	684
Water		686	644
Other		848	882
Total other expenses		21,888	24,441
Less: capitalised costs		(287)	(325)
TOTAL OTHER EXPENSES		21,601	24,116

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Property (excl. investment property)			
Proceeds from disposal – property		2,078	71
Less: carrying amount of property assets sold/written off		(927)	(919)
Net gain/(loss) on disposal		1,151	(848)
Plant and equipment			
Proceeds from disposal – plant and equipment		1,136	1,102
Less: carrying amount of plant and equipment assets sold/written off		(741)	(808)
Net gain/(loss) on disposal		395	294
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		198,910	106,278
Less: carrying amount of financial assets sold/redeemed/matured		(198,910)	(106,278)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		4,582	185,452
Less: carrying amount of ‘held for sale’ assets sold/written off		(4,994)	(184,303)
Net gain/(loss) on disposal		(412)	1,149
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,134	595

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	12/5/16	12/5/16	30/6/15	30/6/15
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		8,448	–	–	–
Cash-equivalent assets ¹					
– Deposits at call		9,063	–	16,535	–
Total cash and cash equivalents		17,511	–	16,535	–
Investments (Note 6b)					
– Managed funds		12,117	–	11,976	–
– Long term deposits		68,970	26,890	113,379	35,235
– NCD's, FRN's (with maturities > 3 months)		77,380	–	65,210	–
Total investments		158,467	26,890	190,565	35,235
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		175,978	26,890	207,100	35,235

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		17,511	–	16,535	–
--	--	---------------	----------	---------------	----------

Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	89,497	–	77,186	–
b. 'Held to maturity'	6(b-ii)	68,970	26,890	113,379	35,235
Investments		158,467	26,890	190,565	35,235

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 6b. investments (continued)

\$ '000	12/5/16 Actual Current	12/5/16 Actual Non-current	30/6/15 Actual Current	30/6/15 Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at beginning of period	77,186	–	26,669	–
Revaluations (through the Income Statement)	155	–	(74)	–
Additions	89,342	–	55,538	–
Disposals (sales and redemptions)	(77,186)	–	(4,947)	–
Balance at end of period	89,497	–	77,186	–
Comprising:				
– Managed funds	12,117	–	11,976	–
– NCD's, FRN's (with maturities > 3 months)	77,380	–	65,210	–
Total	89,497	–	77,186	–
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at beginning of period	113,379	35,235	34,249	39,866
Additions	68,970	–	175,830	–
Disposals (sales and redemptions)	(113,379)	(8,345)	(96,700)	(4,631)
Balance at end of period	68,970	26,890	113,379	35,235
Comprising:				
– Long term deposits	68,970	26,890	113,379	35,235
Total	68,970	26,890	113,379	35,235

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	12/5/16	12/5/16	30/6/15	30/6/15
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	175,978	26,890	207,100	35,235
attributable to:				
External restrictions (refer below)	38,380	26,890	19,633	35,235
Internal restrictions (refer below)	100,301	–	151,145	–
Unrestricted	37,297	–	36,322	–
	175,978	26,890	207,100	35,235

1/7/15 to 12/5/16 \$ '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)	3,699	–	(3,433)	266
External restrictions – included in liabilities	3,699	–	(3,433)	266

External restrictions – other

Developer contributions – general (D)	32,223	17,134	(6,691)	42,666
Specific purpose unexpended grants (F)	3,782	–	(1,838)	1,944
Domestic waste management (G)	9,690	6,845	(3,540)	12,995
Open space special rate	1,239	2,314	(1,672)	1,881
Stormwater levy	1,216	642	(1,433)	425
Economic development special rate	653	660	(376)	937
Suburban infrastructure special rate	891	1,807	(1,313)	1,385
CBD infrastructure special rate	1,400	1,791	(525)	2,666
Harris park special rate	75	30	–	105
External restrictions – other	51,169	31,223	(17,388)	65,004
Total external restrictions	54,868	31,223	(20,821)	65,270

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

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

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

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

1/7/15 to 12/5/16 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,152	3,559	(2,981)	2,730
Employees leave entitlement	5,499	–	–	5,499
Computerised management information	425	759	(48)	1,136
Street furniture	106	–	–	106
Open space and recreation	664	–	(262)	402
Uncompleted works revenue	2,115	10,000	(1,050)	11,065
Council election	411	189	–	600
Parking meters	2,161	3,117	(3,689)	1,589
Granville reserve	2,393	–	–	2,393
Urgent ward works	847	7,727	(867)	7,707
Asset renewal reserve	551	18,411	(5,339)	13,623
Property and significant assets reserve	133,821	9,935	(90,305)	53,451
Total internal restrictions	151,145	53,697	(104,541)	100,301
TOTAL RESTRICTIONS	206,013	84,920	(125,362)	165,571

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Purpose					
Rates and annual charges		18,571 ¹	889 ¹	3,505	505
User charges and fees		1,002	–	954	–
Accrued revenues					
– Interest on investments		1,189	–	2,496	–
Accrued fines		–	–	320	–
Deferred debtors		–	1,000	–	1,000
Environmental upgrade agreements		1,510	–	1,751	–
Employee receivables		7	360	–	375
GIO workers compensation		36	–	45	–
Government grants and subsidies		2,207	–	6,576	–
Hoarding fees		153	–	337	–
Licensing receivables		688	–	742	–
Net GST receivable		1,716	–	560	–
Parking space levy		59	–	56	–
Parking stations and meters		–	–	128	–
Property leases		262	–	610	–
Restorations / reinstatements		289	–	291	–
Riverside theatres Parramatta		27	–	23	–
Section 611 charges		–	–	110	–
Other debtors		1,545	–	(5)	–
Total		29,261	2,249	18,499	1,880
Less: provision for impairment					
Rates and annual charges		(64)	–	(63)	–
Other debtors		(1,074)	–	(849)	–
Total provision for impairment – receivables		(1,138)	–	(912)	–
TOTAL NET RECEIVABLES		28,123	2,249	17,587	1,880
Externally restricted receivables					
Domestic waste management		840	–	1,234	–
Stormwater management		705	–	105	–
Open space special rate		142	–	54	–
Economic development special rate		106	–	22	–
Suburban infrastructure special rate		106	–	43	–
CBD Infrastructure special rate		299	–	56	–
Harris park special rate		83	–	4	–
Total external restrictions		2,281	–	1,518	–
Internally restricted receivables					
– FAGs adjustment		1,143	–	–	–
– Rates		13,672	–	–	–
Internally restricted receivables		14,815	–	–	–
Unrestricted receivables		11,027	2,249	16,069	1,880
TOTAL NET RECEIVABLES		28,123	2,249	17,587	1,880

¹ The final payment instalment for rates (and annual charges) income is 31/5/16. As at 12/5/16 there is a large outstanding debtor that reflects this timing difference between the financial reporting date & the instalment payment date.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 7. Receivables (continued)

\$ '000

Notes on debtors from the previous page:

- (i) Rates and annual charges outstanding are secured against the property. Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016. No adjustments have been made for the rates not earned during the period 13/05/2016 to 30 June 2016.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%). Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Note 8. Inventories and other assets

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		98	–	84	–
Trading stock		20	–	12	–
Total inventories at cost		118	–	96	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		118	–	96	–
(b) Other assets					
Prepayments		202	–	430	–
Other		15	–	15	–
TOTAL OTHER ASSETS		217	–	445	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

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

The former Parramatta City Council

Notes to the Financial Statements
for the period 1 July 2015 to 12 May 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 12/5/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Prior Period Adjustments Fair Value	Prior Period Adjustments Accumulated Depreciation	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Plant and equipment	–	18,659	11,636	–	7,023	2,959	–	(742)	(1,937)	–	–	–	–	18,628	11,325	–	7,303
Office equipment	–	10,086	8,158	–	1,928	483	–	–	(390)	–	–	–	–	10,569	8,548	–	2,021
Furniture and fittings	–	8,463	4,002	–	4,461	467	8,503	–	(2,474)	–	–	–	–	17,434	6,477	–	10,957
Land:																	
– Operational land	–	343,410	–	–	343,410	–	42,590	(647)	–	7,526	100	–	–	392,979	–	–	392,979
– Community land	–	3,351,493	–	–	3,351,493	–	168	(204)	–	–	(20)	–	–	3,351,437	–	–	3,351,437
Land improvements – depreciable	–	14,229	2,476	–	11,753	128	1,327	–	(466)	(7,526)	–	–	–	8,158	2,942	–	5,216
Infrastructure:																	
– Buildings – non-specialised	–	135,621	53,519	–	82,102	3,893	3,185	–	(943)	–	–	–	–	142,700	54,463	–	88,237
– Other structures	–	79,704	12,088	–	67,616	823	1,469	–	(1,530)	–	–	–	–	82,232	13,854	–	68,378
– Roads	–	579,824	149,264	–	430,560	11,257	2,472	–	(8,915)	–	135,532	–	–	729,085	158,179	–	570,906
– Bridges	–	82,766	23,567	–	59,199	283	23	–	(804)	–	(786)	230	–	82,056	23,911	–	58,145
– Footpaths	–	129,482	25,328	–	104,154	2,022	2,747	–	(1,409)	–	167	–	–	134,417	26,736	–	107,681
– Bulk earthworks (non-depreciable)	–	264,773	–	–	264,773	–	–	–	–	–	(136,002)	–	–	128,771	–	–	128,771
– Stormwater drainage	–	322,538	117,080	–	205,458	2,211	424	–	(2,571)	–	(3,262)	1,358	–	321,911	118,293	–	203,618
– Swimming pools	–	9,074	2,362	–	6,712	–	–	–	(3,893)	–	–	–	–	9,091	6,272	–	2,819
– Other open space/recreational assets	–	129,190	47,317	–	81,873	1,889	2,519	(75)	(7,874)	–	–	–	–	133,485	55,153	–	78,332
Other assets:																	
– Heritage collections	–	2,347	35	–	2,312	1	–	–	(9)	–	–	–	–	2,348	44	–	2,304
– Library books	–	12,994	10,684	–	2,310	328	–	–	(677)	–	–	–	–	13,322	11,361	–	1,961
– Other	–	7,596	412	–	7,184	252	478	–	(6)	–	–	–	–	8,326	418	–	7,908
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	–	5,502,249	467,928	–	5,034,321	26,996	65,905	(1,668)	(33,898)	–	(4,271)	1,588	–	5,586,949	497,976	–	5,088,973

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 and equipment.

Refer to Note 20 for disclosure of prior year adjustments on various asset classes

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000 Class of asset	Actual 12/5/16				Actual 30/6/15			
	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 and equipment	70	–	2	68	59	–	14	45
Total DWM	70	–	2	68	59	–	14	45
TOTAL RESTRICTED I,PP&E	70	–	2	68	59	–	14	45

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

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Payables					
Goods and services – operating expenditure		5,406	–	6,477	–
Goods and services – capital expenditure		1,596	–	8,721	–
Payments received in advance		12,050	–	12,646	–
Accrued expenses:					
– Borrowings		824	–	406	–
– Salaries and wages		1,912	–	2,062	–
– Other expenditure accruals		5,658	–	6,471	–
Security bonds, deposits and retentions		8,003	–	5,745	–
Total payables		35,449	–	42,528	–
Borrowings					
Bank overdraft		–	–	275	–
Loans – secured ¹		13,787	59,257	10,196	70,302
Total borrowings		13,787	59,257	10,471	70,302
Provisions					
Employee benefits:					
Annual leave		6,731	–	6,568	–
Sick leave		1,120	–	1,120	–
Long service leave		13,558	801	13,067	675
Other employee provisions		1,870	–	1,577	–
Sub-total – aggregate employee benefits		23,279	801	22,332	675
Self insurance – other		1,096	–	902	–
Contract and other provisions		200	–	–	–
Local government elections (Sept 17)		–	600	–	–
Total provisions		24,575	1,401	23,234	675
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		73,811	60,658	76,233	70,977
(i) Liabilities relating to restricted assets					
		12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
Externally restricted assets					
Domestic waste management		831	–	894	3
Loans		266	–	2,662	1,034
Liabilities relating to externally restricted assets		1,097	–	3,556	1,037
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		1,097	–	3,556	1,037
Total liabilities relating to unrestricted assets		72,714	60,658	72,677	69,940
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		73,811	60,658	76,233	70,977

¹ Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Actual 12/5/16	Actual 30/6/15
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	13,138	12,923
Payables – security bonds, deposits and retentions	6,019	4,053
	19,157	16,976

Note 10b. Description of and movements in provisions

Class of provision	Opening balance as at 1/7/15	Additional provisions	1/7/15 to 12/5/16		Unused amounts reversed	Closing balance as at 12/5/16
			Decrease due to payments	Remeasurement effects due to discounting		
Self insurance	902	194	–	–	–	1,096
Other	–	800	–	–	–	800
TOTAL	23,909	2,067	–	–	–	25,976

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.
- c. Other provisions represent allowance for potential court action and also for local government election September 2017.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,511	16,535
Less bank overdraft	10	–	(275)
Balance as per the Statement of Cash Flows		17,511	16,260
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		35,815	23,276
Adjust for non-cash items:			
Depreciation and amortisation		34,943	34,865
Net losses/(gains) on disposal of assets		(1,134)	(595)
Non-cash capital grants and contributions		(685)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(155)	74
Share of net (profits) or losses of associates/joint ventures		(506)	(484)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(11,131)	723
Increase/(decrease) in provision for doubtful debts		226	347
Decrease/(increase) in inventories		(22)	45
Decrease/(increase) in other assets		228	(357)
Increase/(decrease) in payables		(1,071)	1,232
Increase/(decrease) in accrued interest payable		418	(11)
Increase/(decrease) in other accrued expenses payable		(963)	2,631
Increase/(decrease) in other liabilities		1,662	1,674
Increase/(decrease) in employee leave entitlements		1,073	1,790
Increase/(decrease) in other provisions		994	(1,040)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		59,692	64,170
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		685	–
Total non-cash investing and financing activities		685	–
(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 and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,292	2,236
Plant and equipment		371	50
Land		335	1,361
Footpaths		8,190	1,388
Roads, kerb and gutter		5,728	1,916
IT Assets		744	1,916
Land Improvements		4,030	1,916
Stormwater Drainage		890	1,916
Bridges		278	–
Other Structures		385	–
Other		3,914	3,145
Total commitments		26,157	15,844
These expenditures are payable as follows:			
Within the next year		26,157	15,844
Total payable		26,157	15,844
Sources for funding of capital commitments:			
Unrestricted general funds		3,789	7,063
Sect 64 and 94 funds/reserves		4,063	3,247
Unexpended grants		3,481	1,126
Unexpended loans		82	532
Special rates		7,340	1,451
Other funding		7,402	2,425
Total sources of funding		26,157	15,844

Details of capital commitments

Council's commitments relate to contractual arrangements for its capital works program.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(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		4,892	4,430
Later than one year and not later than 5 years		4,854	9,076
Later than 5 years		–	–
Total non-cancellable operating lease commitments		9,746	13,506

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

Operating leases are in place for computer equipment and property assets and have lease terms of between three and four years.

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.

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Amounts 12/5/16	Indicator 12/5/16	Bench- mark	Prior periods	
				30/6/15	30/6/14
Local government industry indicators – consolidated					
1(a). Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>12,240</u>	6.40%	>0%	-0.94%	-0.17%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>191,358</u>				
1(b). Operating performance ratio (after removing accelerated depreciation on Parramatta square buildings and Parramatta stadium contribution)					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,175</u>	1.14%	>0%	2.06%	
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>191,358</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>173,045</u>	81.19%	>60%	80.11%	83.17%
Total continuing operating revenue ⁽¹⁾	<u>213,138</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>304,836</u>	5.69x	1.5x	6.29x	5.31x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>53,557</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>50,661</u>	4.63x	2.00x	1.57x	2.61x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>10,932</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding ⁽⁵⁾	<u>19,396</u>	14.62%	<5%	3.00%	3.30%
Rates, annual and extra charges collectible ⁽⁵⁾	<u>132,648</u>				
6. Cash expense cover ratio					
Current period's cash and cash equivalents plus all term deposits	<u>113,371</u>	8.22 mths	>3	11.0 mths	6.3 mths
Payments from cash flow of operating and financing activities	<u>13,784</u>				

The former Parramatta City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

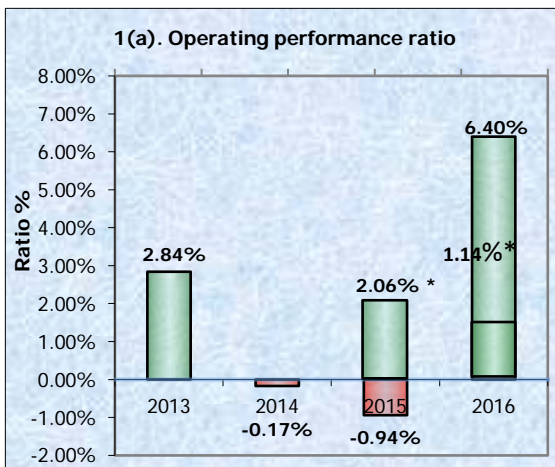
Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '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 and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).
- (5) Rates are recognised as revenue at the commencement of the rating year for the period 1 July to 30 June 2016.
No adjustments have been made for rates not earned during the period 13/05/2016 to 30/06/2016.

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



Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 12/5/16 result

12/5/16 ratio 6.40%

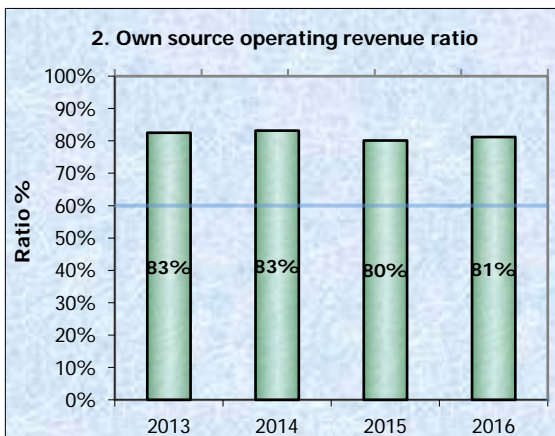
Councils operating result for 2015/16 included the recognition of the full year rates revenue, other general purpose revenue (\$15.6m) and accelerated depreciation (\$7.5m) on Parramatta Pool assets, which following NSW State Government decision will cease to be an asset in 2016/17, once work on the redevelopment of Parramatta Stadium commences. If these one off transactions had been excluded councils ratio would have been 1.14%

Benchmark: Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

* amended ratio

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 12/5/16 result

12/5/16 ratio 81.19%

This ratio remains consistent with prior years and indicates that Council is above the benchmark. Council has a sound own source revenue base.

Benchmark: Minimum >=60.00%

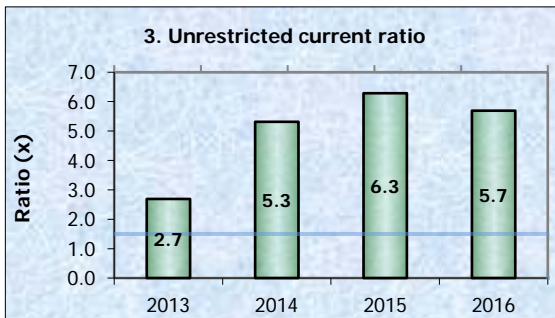
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
 Ratio is outside benchmark

The former Parramatta City Council

Notes to the Financial Statements for the period 1 July 2015 to 12 May 2016

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.

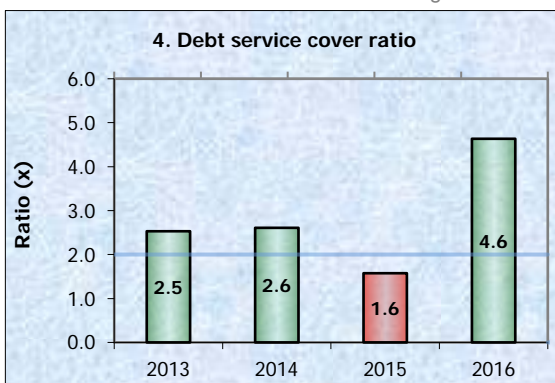
Commentary on 12/5/16 result

12/5/16 ratio 5.69x

This ratio fluctuates over on a year basis, however Council continues to exceed the benchmark of 1.5 indicating a sound liquidity position.

Benchmark: — Minimum ≥ 1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves 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

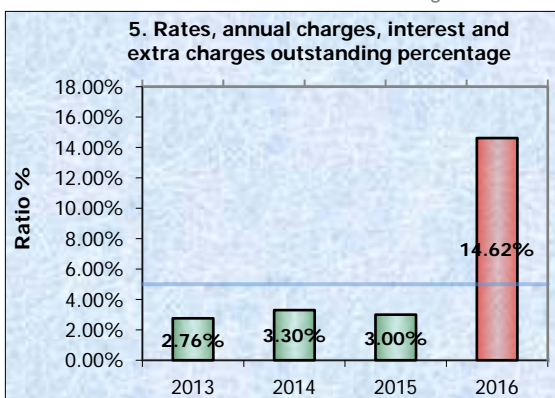
Commentary on 12/5/16 result

12/5/16 ratio 4.63x

Council has returned to above the benchmark following the prior year one off dip, due to the bullet repayment of the Operations Centre bridging loan. Which was funded from associated asset sales, which does not form part of the formula for this ratio. This ratio is also higher due to the required accounting treatment for general purpose revenue and the duration of the reporting period.

Benchmark: — Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 12/5/16 result

12/5/16 ratio 14.62%

The outstanding percentage increased due to the modified financial reporting period being before instalment due date of 31 May 2016. This instalment date did not change and was maintained as specified in the normal accounting period. This ratio would have been consistent with previous years and below benchmark if Council had not had a modified reporting year.

Benchmark: — Maximum $< 5.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

■ 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 12/5/16 result

12/5/16 ratio 8.22 mths

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

Benchmark: — Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

	Carrying value		Fair value	
	12/5/16	30/6/15	12/5/16	30/6/15
Financial assets				
Cash and cash equivalents	17,511	16,535	17,511	16,535
Investments				
– 'Held for trading'	89,497	77,186	89,497	77,186
– 'Held to maturity'	95,860	148,614	95,860	148,614
Receivables	30,372	19,467	30,372	19,467
Total financial assets	233,240	261,802	233,240	261,802
Financial liabilities				
Bank overdraft	–	275	–	275
Payables	23,399	29,882	23,999	29,882
Loans/advances	73,044	80,498	75,870	83,214
Total financial liabilities	96,443	110,655	99,869	113,371

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments in relation to new institutions and held to maturity assets.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
1/7/15 to 12/5/16				
Possible impact of a 10% movement in market values	8,950	8,950	(8,950)	(8,950)
Possible impact of a 1% movement in interest rates	1,134	1,134	(1,134)	(1,134)
1/7/14 to 30/6/15				
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)

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

The level of outstanding receivables is reviewed by finance monthly and are 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:

	12/5/16 Rates and annual charges	12/5/16 Other receivables	30/6/15 Rates and annual charges	30/6/15 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	82%	89%	0%	91%
Overdue	18%	11%	100%	9%
	100%	100%	100%	100%

	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value				
Rates and annual charges				
Current	18,642	10,937	–	14,852
< 1 year overdue	311	153	1,099	450
1 – 2 years overdue	131	24	2,160	259
2 – 5 years overdue	102	118	536	127
> 5 years overdue	274	818	215	681
	19,460	12,050	4,010	16,369

	12/5/16	30/6/15
(iii) Movement in provision for impairment of receivables		
Balance at the beginning of the period	912	565
+ new provisions recognised during the period	378	590
– amounts already provided for and written off this period	(100)	(132)
– amounts provided for but recovered during the period	(52)	(111)
Balance at the end of the period	1,138	912

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
1/7/15 to 12/5/16									
Trade/other payables	8,003	15,396	–	–	–	–	–	23,399	23,399
Loans and advances	–	18,236	13,673	11,340	10,597	10,366	23,199	87,411	73,044
Total financial liabilities	8,003	33,632	13,673	11,340	10,597	10,366	23,199	110,810	96,443
1/7/14 to 30/6/15									
Bank overdraft	275	–	–	–	–	–	–	275	275
Trade/other payables	5,745	24,137	–	–	–	–	–	29,882	29,882
Loans and 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

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

The following interest rates were applicable to Council's borrowings at balance date:	12/5/16	12/5/16	30/6/15	30/6/15
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	0.00%	275	8.40%
Trade/other payables	23,399	0.00%	29,882	0.00%
Loans and advances – fixed interest rate	73,044	5.20%	80,498	5.20%
	<u>96,443</u>		<u>110,655</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 24(a), this note is not applicable for "former Councils".

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	420	–	–	37	–	–	457	–
Community facilities	2,974	1,231	–	122	(38)	–	4,289	–
Traffic and parking	2,892	–	–	95	(259)	–	2,728	–
Traffic and transport	364	–	–	12	(140)	–	236	–
Plan management	353	–	–	9	(192)	–	170	–
Culture and leisure	7	–	–	–	–	–	7	–
City development	1	–	–	–	–	–	1	–
Environment	2	–	–	–	–	–	2	–
Councils OnLine	513	30	–	14	(265)	–	292	–
Public domain projects	773	2,401	–	66	(87)	–	3,153	–
River foreshore park	200	925	–	23	–	–	1,148	–
Arts and cultural facility	3,416	1,847	–	137	(669)	802	5,533	–
Aquatic leisure centre ¹	–	1,539	–	59	1,906	(718)	2,786	–
Historic buildings conservation	–	308	–	5	(15)	(84)	214	–
Car park enhancements	256	308	–	10	(226)	–	348	–
Access and transport	3,986	1,848	–	163	(279)	–	5,718	–
Ermington traffic and pedestrian	193	–	–	4	(111)	–	86	–
Community facilities (A)	434	706	–	22	(308)	–	854	–

(continued on the next page...)

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

SUMMARY OF CONTRIBUTIONS AND LEVIES (continued)

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage, water quality and Lnewy Infra T/T	1,094	424	–	44	(50)	–	1,512	–
Natural environment	944	217	–	22	(827)	–	356	–
Open space and recreation	3,088	1,392	–	112	(995)	–	3,597	–
Public domain	3,532	489	–	108	(1,266)	–	2,863	–
Roads and shared paths	3,483	698	–	113	(1,063)	–	3,231	–
Parramatta square public domain and com fac	2,755	525	–	72	(1,799)	–	1,553	–
S94 contributions – under a plan	31,680	14,888	–	1,249	(6,683)	–	41,134	–
Total S94 revenue under plans	31,680	14,888	–	1,249	(6,683)	–	41,134	–
S93F planning agreements	545	963	685	34	(10)	–	1,532	–
Total contributions	32,225	15,851	685	1,283	(6,693)	–	42,666	–

¹ Adjustment to expenditure that was made in 2014/15 due to the NSW state government decision to redevelop Parramatta Stadium. Refer to adjustment in Note 4c.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic and parking	2,892	–	–	95	(259)	–	2,728	–
Total	2,892	–	–	95	(259)	–	2,728	–

PARRAMATTA COMPREHENSIVE SECTION 94 CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	420	–	–	37	–	–	457	–
Traffic and transport	364	–	–	12	(140)	–	236	–
Plan management	353	–	–	9	(192)	–	170	–
Total	1,137	–	–	58	(332)	–	863	–

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Culture and leisure	7	–	–	–	–	–	7	–
City development	1	–	–	–	–	–	1	–
Environment	2	–	–	–	–	–	2	–
Councils OnLine	513	30	–	14	(265)	–	292	–
Community facilities (A)	434	706	–	22	(308)	–	854	–
Drainage, water quality and Lnewy Infra T/T	1,094	424	–	44	(50)	–	1,512	–
Natural environment	944	217	–	22	(827)	–	356	–
Open space and recreation	3,088	1,392	–	112	(995)	–	3,597	–
Public domain	3,532	489	–	108	(1,266)	–	2,863	–
Roads and shared paths	3,483	698	–	113	(1,063)	–	3,231	–
Total	13,098	3,956	–	435	(4,774)	–	12,715	–

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	2,974	1,231	–	122	(38)	–	4,289	–
Public domain projects	773	2,401	–	66	(87)	–	3,153	–
River foreshore park	200	925	–	23	–	–	1,148	–
Arts and cultural facility	3,416	1,847	–	137	(669)	802	5,533	–
Aquatic leisure centre ¹	–	1,539	–	59	1,906	(718)	2,786	–
Historic buildings conservation	–	308	–	5	(15)	(84)	214	–
Car park enhancements	256	308	–	10	(226)	–	348	–
Access and transport	3,986	1,848	–	163	(279)	–	5,718	–
Parramatta square public domain and com fac	2,755	525	–	72	(1,799)	–	1,553	–
Total	14,360	10,932	–	657	(1,207)	–	24,742	–

¹ Adjustment to expenditure that was made in 2014/15 due to the NSW state government decision to redevelop Parramatta Stadium. Refer to adjustment in Note 4c.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

ERMINGTON TRAFFIC AND PEDESTRIAN WORKS

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ermington traffic and pedestrian	193	–	–	4	(111)	–	86	–
Total	193	–	–	4	(111)	–	86	–

VOLUNTARY PLANNING AGREEMENTS

PURPOSE	Opening balance	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parramatta river pedestrian crossing	389	620	–	24	–	–	1,033	–
Local road works river road west	156	–	–	5	–	–	161	–
Local road works Ermington	–	50	–	1	–	–	51	–
Robin Thomas Reserve	–	200	–	3	–	–	203	–
Bushland Regeneration Sturt St Dundas	–	93	–	1	(10)	–	84	–
George St Parramatta	–	–	685	–	–	–	–	–
Total	545	963	685	34	(10)	–	1,532	–

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 18. Contingencies and 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 \$893k as at 30 June 2016. 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 \$230K.

Other legal contingencies total \$955K.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

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 Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 12/5/16	Actual 30/6/15
Joint ventures	506	484	4,974	4,468
Associates	—	—	—	—
Total	506	484	4,974	4,468

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and 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	12/5/16	30/6/15
Westpool and UIP	Joint venture	Equity method	4,974	4,468
Total carrying amounts – material joint ventures and associates			4,974	4,468

(b) Details

Name of entity	Principal activity
Westpool and UIP	Management of public liability and property insurance

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership	
	2016	2015	2016	2015
Westpool and UIP	15.5%	16.4%	12.6%	11.9%

(d) Summarised financial information for joint ventures and associates

Reporting dates of joint ventures and associates

The financial position and performance of joint ventures and associated for the financial year ended 30 June 2016 have been used in these consolidated financial statements.

The joint ventures and arrangements did not have any significant transactions occurring in the period from 13 May 2016 to 30 June 2016 that would have materially affected the consolidated financial statements.

	Westpool and UIP	
Statement of financial position	12/5/16	30/6/15
Current assets		
Cash and cash equivalents	4,581	14,711
Other current assets	12,476	–
Total current assets	17,057	14,711
Non-current assets	56,403	54,249
Current liabilities		
Financial liabilities (excl. accounts payable)	7,799	6,550
Other current liabilities	869	–
Total current liabilities	8,668	6,550
Non-current liabilities	25,310	24,948
Net assets	39,482	37,462

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (continued)

	Westpool and UIP	
	12/5/16	30/6/15
Reconciliation of the carrying amount		
Opening net assets (1 July)	37,462	34,918
Profit/(loss) for the period	3,266	2,544
Dividends paid	(1,246)	–
Closing net assets	39,482	37,462
Council's share of net assets (%)	12.6%	11.9%
Council's share of net assets (\$)	4,974	4,468
	Westpool and UIP	
	1/7/15 to 12/5/16	1/7/14 to 30/6/15
Statement of comprehensive income		
Income	18,834	18,864
Interest income	–	388
Other expenses	(15,567)	(16,708)
Profit/(loss) from continuing operations	3,267	2,544
Profit/(loss) for period	3,267	2,544
Total comprehensive income	3,267	2,544
Share of income – Council (%)	15.5%	16.4%
Profit/(loss) – Council (\$)	506	484
Total comprehensive income – Council (\$)	506	484

(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 and associates not recognised

Council no interest in joint arrangements and associates that have not been recognised in this financial report.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000	Notes	Actual 12/5/16	Actual 30/6/15
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of period (from previous year's audited accounts)		1,244,672	992,051
a. Other comprehensive income (excl. direct to reserves transactions)		–	229,345
b. Net operating result for the period		35,815	23,276
Balance at end of the reporting period		<u>1,280,487</u>	<u>1,244,672</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		4,056,340	4,059,023
Total		<u>4,056,340</u>	<u>4,059,023</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		4,059,023	2,849,342
– Revaluations for the period (IPP&E)	9(a)	–	1,209,735
– Revaluations for the year (non-current assets 'held for sale')	22	–	(54)
– Note 9a prior period adjustments	9a	(2,683)	–
– Balance at end of period		<u>4,056,340</u>	<u>4,059,023</u>
TOTAL VALUE OF RESERVES		<u>4,056,340</u>	<u>4,059,023</u>

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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

\$ '000

(c) Correction of error/s relating to a previous reporting period

Correction of errors disclosed in this period's financial statements:

There have been errors related to prior year asset revaluation process identified following review of assets during preliminary boundary review process. These errors resulted in a net overstatement of asset balances and overstatement of the asset revaluation reserve of \$2.683m

The adjustment to specific asset classes are identified in Note 9a:

Operational Land	100	–
Community Land	(20)	–
Roads	135,532	–
Bridges	(786)	–
Bridges Accumulated Depreciation	230	–
Footpaths	167	–
Bulk Earthworks	(136,002)	–
Stormater Drainage	(3,262)	–
Stormater Drainage Accumulated Depreciation	1,358	–
	<u>(2,683)</u>	<u>–</u>

This adjustment resulted in net (decrease) in Council's asset revaluation reserve as at 12/5/16.

Correction of errors as disclosed in last year's financial statements:

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.

	–	229,345
	<u>–</u>	<u>229,345</u>

(d) Voluntary changes in accounting policies

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 21. Financial result and financial position by fund

\$ '000

Council utilises only a general fund for its operations.

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

\$ '000	12/5/16 Current	12/5/16 Non-current	30/6/15 Current	30/6/15 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land and buildings	141,061	–	146,055	–
Total non-current assets 'held for sale'	141,061	–	146,055	–
Disposal group assets 'held for sale'				
None				
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	141,061	–	146,055	–

** These funds are subject to an internal restriction of \$117.641m and \$119.127m (2014/15)

(ii) Details of assets and disposal groups

Various land and building assets sold in 2014/15.

\$ '000	Assets 'held for sale'	
	12/5/16	30/6/15
(iii) Reconciliation of non-current assets 'held for sale' and disposal groups – i.e. discontinued operations		
Opening balance	146,055	191,409
Revaluation of opening balance	–	(54)
Less: carrying value of assets/operations sold	(4,994)	(184,303)
Balance still unsold after 12 months:	141,061	7,052
Less: assets no longer classified as 'held for sale'	–	(2,052)
Plus new transfers in:		
– Assets 'held for sale'	–	141,055
Closing balance of 'held for sale' non-current assets and operations	141,061	146,055

Refer to Note 27. Fair value measurement for fair value measurement information.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (12 May 2016) 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 02/12/16.

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 12 May 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 12 May 2016 and which are only indicative of conditions that arose after 12 May 2016.

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

Amalgamation of operations for the former Parramatta City Council to form City Of Parramatta Council

From midnight on 12 May 2016, operations for the former Parramatta City Council's operations would be amalgamated with other Councils to form the new council City Of Parramatta Council.

The proclamation automatically transfers the assets, rights, and liabilities of operations for the former Parramatta City Council to City Of Parramatta Council on 12 May 2016.

The proclamation ensures that any reference in any document to operations for the former Parramatta City Council is to be read as a reference to City Of Parramatta Council, and that anything done by operations for the former Parramatta City Council before the amalgamation is taken to have been done by City Of Parramatta Council.

These clauses provide for the transfer of physical assets (such as cars, buildings, plant and equipment) along with intangible assets and liabilities (such as service contracts and outstanding debts).

This ensures the general business and operations of former councils are preserved, including contracts and services.

These financial statements have been drawn up to reflect the closing financial position at 12 May 2016 of operations for the former Parramatta City Council and its financial performance for the period 1 July 2015 to 12 May 2016.

Note 24. Discontinued operations

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 25. Intangible assets

\$ '000	Actual 12/5/16	Actual 30/6/15
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	7,838	7,164
Accumulated amortisation (1/7)	(4,120)	(3,058)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	3,718	4,106
Movements for the period		
– Purchases	40	674
– Amortisation charges	(1,045)	(1,062)
Closing values:		
Gross book value (12/5/16)	7,878	7,838
Accumulated amortisation (12/5/16)	(5,165)	(4,120)
Accumulated impairment (12/5/16)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>2,713</u>	<u>3,718</u>

¹ The net book value of intangible assets represent:

– CITSR – corporate IT systems replacement	2,713	3,718
	<u>2,713</u>	<u>3,718</u>

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and 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 and recognised at fair values:

1/7/15 to 12/5/16	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'		–	–	89,497	89,497
Total financial assets		–	–	89,497	89,497
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/13	–	–	7,303	7,303
Office equipment	30/06/13	–	–	2,021	2,021
Furniture and fittings	30/06/13	–	–	10,957	10,957
Operational land	30/06/13	–	–	392,979	392,979
Community land	30/06/15	–	–	3,351,437	3,351,437
Buildings – non-specialised	30/06/13	–	–	88,237	88,237
Other structures	30/06/13	–	–	68,378	68,378
Roads	30/06/15	–	–	570,906	570,906
Bridges	30/06/15	–	–	58,145	58,145
Footpaths	30/06/15	–	–	107,681	107,681
Stormwater drainage	30/06/15	–	–	203,618	203,618
Land improvements	30/06/13	–	–	5,216	5,216
Bulk earthworks	30/06/15	–	–	128,771	128,771
Swimming pools	30/06/13	–	–	2,819	2,819
Open space/recreational assets	30/06/13	–	–	78,332	78,332
Heritage collections	30/06/13	–	–	2,304	2,304
Library books	30/06/13	–	–	1,961	1,961
Other	30/06/13	–	–	7,908	7,908
Total infrastructure, property, plant and equipment		–	–	5,088,973	5,088,973

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

1/7/15 to 12/5/16	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		–	–	141,061	141,061
Total NCA's classified as 'held for sale'		–	–	141,061	141,061

1/7/14 to 30/6/15	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 and equipment					
Plant and equipment	30/06/13	–	–	7,023	7,023
Office equipment	30/06/13	–	–	1,928	1,928
Furniture and fittings	30/06/13	–	–	4,461	4,461
Operational land	30/06/13	–	–	343,410	343,410
Community land	30/06/15	–	–	3,351,493	3,351,493
Buildings – non-specialised	30/06/13	–	–	82,102	82,102
Other structures	30/06/13	–	–	67,616	67,616
Roads	30/06/15	–	–	430,560	430,560
Bridges	30/06/15	–	–	59,199	59,199
Footpaths	30/06/15	–	–	104,154	104,154
Stormwater drainage	30/06/15	–	–	205,458	205,458
Land improvements	30/06/13	–	–	11,753	11,753
Bulk earthworks	30/06/15	–	–	264,773	264,773
Swimming pools	30/06/13	–	–	6,712	6,712
Open space/recreational assets	30/06/13	–	–	81,873	81,873
Heritage collections	30/06/13	–	–	2,312	2,312
Library books	30/06/13	–	–	2,310	2,310
Other	30/06/13	–	–	7,184	7,184
Total infrastructure, property, plant and equipment		–	–	5,034,321	5,034,321

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

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

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

(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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 \$'000	Level of Valuation Input
Roads	\$ 8,193,870	2
Intersection	\$ 1,506,543	2
	\$ 9,700,413	

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 were 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 were 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 were revalued in 2014/15.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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 was 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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

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.

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Total IPPE	Asset held for sale	Total
Opening balance – 1/7/14	3,663,819	191,409	3,855,228
Purchases (GBV)	105,955	–	105,955
Disposals (WDV)	(1,727)	(184,303)	(186,030)
Depreciation and 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	5,034,321	146,055	5,180,376
Purchases (GBV)	92,901	–	92,901
Disposals (WDV)	(1,668)	(4,994)	(6,662)
Depreciation and impairment	(33,898)	–	(33,898)
Correction to prior year retained earnings	(2,683)	–	(2,683)
Closing balance – 12/5/16	5,088,973	141,061	5,230,034

(5). Highest and best use

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

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 28. Council information and 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

INTERIM GENERAL MANAGER

Greg Dyer

RESPONSIBLE ACCOUNTING OFFICER

Craig Becroft

Members

ADMINISTRATOR

Amanda Chadwick

The former Parramatta City Council

Notes to the Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 29. Additional disclosure on Proclamation Impact on Specific General Purpose Operating Revenue

The Office of Local Government (“OLG”) has interpreted Australian Accounting Standard AASB 1004 ‘Contributions’ to require certain revenues (mostly rates) to be recognised for the full year ended 30 June 2016 in these financial statements, while only expenses related to the period ended 12 May 2016 are included.

OLG has amended its ‘Local Government Code of Accounting Practice and Financial Reporting’ to reflect its interpretation of AASB 1004.

OLG requires all local governments in New South Wales which are preparing financial statements for the period from 1 July 2015 to 12 May 2016 to apply its interpretation of AASB 1004 as part of the preparation and presentation of those financial statements. The former Parramatta City Council has complied with this requirement in preparing and presenting these financial statements.

The OLG interpretation of AASB 1004 results in a timing mis-match within the Income Statement on page 4 amounting to approximately \$15.7m – the net operating result for the year is shown as approximately \$35.8m, rather than \$20.1m, as it would be if revenue relating to the period from 13 May 2016 to 30 June 2016 (inclusive) were excluded.

The net operating result shown on page 4 of approximately \$35.8m is 78% higher than it would be if both revenue and expenses for the period from 13 May 2016 to 30 June 2016 (inclusive) were excluded from these financial statements.

As a consequence of this mis-match, there will be a corresponding reversal of the mis-match during the following financial period which will, by 30 June 2017, effectively offset each other, so there ought to be no further mis-match from 1 July 2017 onwards.

Accordingly, the prospective net operating result to be reported by the new City of Parramatta Council, which has superseded the Parramatta City Council (with amended boundaries) since 13 May 2016, would be less than it would be if there were no consequential mis-match, during the period from 13 May 2016 to 30 June 2017.

The notional over-statement of the net operating result of Parramatta City Council for the period from

1 July 2015 to 12 May 2016 in these financial statements will effectively be offset by a corresponding under-statement of net operating result within the financial statements to be prepared and presented at the appropriate time by the new City of Parramatta Council for the period from 13 May 2016 to 30 June 2017.

The notional over-statement of the net operating result for the period ended 12 May 2016 (on page 4) also involves a corresponding understatement of liabilities at 12 May 2016 (on page 6) of these financial statements of the former Parramatta City Council, as the rates revenue for the period from 13 May 2016 to 30 June 2016 (inclusive) ought to be attributable to the new City of Parramatta Council.



The former Parramatta City Council

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

Report on the financial statements

We have audited the accompany financial statements of The former Parramatta City Council (the former Council), which comprise the statement of financial position as at 12 May 2016 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, accompanying notes to the financial statements and the Statement by the Administrator and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Administrator's responsibility for the financial statements

The Administrator is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993 and for such internal control as the Administrator determines 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 Administrator, 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.

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 former 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 former Council's accounting records
 - (iii) present fairly, in all material respects, the former Council's financial position as of 12 May 2016 and its financial performance and its cash flows for the period 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.



PricewaterhouseCoopers



Marc Upercroft
Partner

Sydney
2 December 2016



The Administrator
Ms Amanda Chadwick
City of Parramatta Council
DX 8279
PARRAMATTA

Dear Ms Chadwick

Report on the conduct of the Audit for period ended 12 May 2016 – Section 417(3) in respect to the former Parramatta City Council

We have completed our audit of the financial reports of the former Parramatta City Council for the period ended 12 May 2016, 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 former 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 former Council's finances. These are set out below.

Operating result

The former Council's operating surplus improved from \$23 million in the previous year to \$36 million in the current period. The net operating result before Capital Contributions was a surplus of \$14 million against the previous year's deficit of \$1 million.

Cash position

The former Council's overall cash position declined from \$242 million to \$203 million during the period under review. The following table highlights the composition of cash.

	2016	2015
	\$m	\$m
Externally restricted	65	55
Internally restricted	100	151
Unrestricted	38	36
Total	203	242

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



Working capital

The former Council’s net current assets declined from \$295 million to \$271 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.

	2016	2015
	\$m	\$m
Net current assets	271	295
Less: External restrictions	(38)	(20)
Internal restrictions	(233)	(270)
Add: Current liabilities deferred	19	17
Available working capital	19	22

The effective unrestricted or available working capital was \$19 million.

Performance indicators

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

	2016	2015
	%	%
Operating Performance Ratio	6	(1)
Own Source Operating Revenue Ratio	81	80
Unrestricted Current Ratio	569	629
Debt Service Cover Ratio	463	157
Rates Outstanding Ratio	14.6	3.0
Cash Expense Cover Ratio	8	11

The Operating Performance Ratio improved to move above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio was relatively stable and remained above the industry benchmark of 60%.

The Unrestricted Current Ratio declined but remained well above the industry benchmark of 150%.

The Debt Service Cover Ratio improved to 453% to stand better than the industry benchmark of 200%.

The Rates Outstanding Ratio increased because of the early closure of the accounts. Had the ratio been calculated at 30 June it would stand within the benchmark.

The Cash Expense Cover Ratio indicated that the former Council could continue to cover its operating costs for 8 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

The former Council was in a very sound and stable financial position at the time of its closure.



General

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

Yours faithfully


PricewaterhouseCoopers


Marc Uperoft
Partner

Sydney
2 December 2016



The former Parramatta City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 1 July 2015 to 12 May 2016

The former Parramatta City Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	n/a
Income Statement – Sewerage Business Activity	n/a
Income Statement – Other Business Activities	3
Statement of Financial Position – Water Supply Business Activity	n/a
Statement of Financial Position – Sewerage Business Activity	n/a
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor’s Report	9

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council’s self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council’s borrowing position by comparison with commercial rates).
-

The former Parramatta City Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Statement by Councillors and Management

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

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

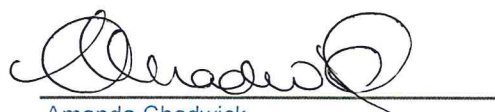
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period, 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 City Of Parramatta Council made on 28 November 2016.



Amanda Chadwick
Administrator



Greg Dyer
Interim General Manager



Craig Becroft
Responsible Accounting Officer

The former Parramatta City Council

Income Statement of Council's Other Business Activities

for the period 1 July 2015 to 12 May 2016

\$ '000	Car Park Operations		Leasing of Council Property	
	Category 1		Category 1	
	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15	Actual 1/7/15 to 12/5/16	Actual 1/7/14 to 30/6/15
Income from continuing operations				
Access charges	–	–	–	–
User charges	9,414	9,139	–	–
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	–
Profit from the sale of assets	–	–	–	–
Other income	–	–	572	1,392
Total income from continuing operations	9,414	9,139	572	1,392
Expenses from continuing operations				
Employee benefits and on-costs	137	112	348	546
Borrowing costs	–	–	1,739	2,199
Materials and contracts	1,407	1,455	230	733
Depreciation and impairment	623	815	151	512
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	1,172	1,173	1,666	1,666
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	1,504	1,669	601	1,026
Total expenses from continuing operations	4,843	5,224	4,735	6,682
Surplus (deficit) from continuing operations before capital amounts	4,571	3,915	(4,163)	(5,290)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	4,571	3,915	(4,163)	(5,290)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	4,571	3,915	(4,163)	(5,290)
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,371)	(1,175)	–	–
SURPLUS (DEFICIT) AFTER TAX	3,200	2,741	(4,163)	(5,290)
Plus opening retained profits	104,252	99,164	(5,290)	–
Plus/less: prior period adjustments	–	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	1,172	1,173	1,666	1,666
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	1,371	1,175	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	109,995	104,252	(7,787)	(5,290)
Return on capital %	2.6%	3.3%	-1.6%	-3.4%
Subsidy from Council	–	–	5,897	5,861

The former Parramatta City Council

Statement of Financial Position – Council's Other Business Activities

as at 12 May 2016

	Car Park Operations Category 1		Leasing of Council Property Category 1	
	Actual 12/5/16	Actual 30/6/15	Actual 12/5/16	Actual 30/6/15
\$ '000				
ASSETS				
Current assets				
Cash and cash equivalents	18,639	14,732	–	–
Investments	–	–	–	–
Receivables	–	–	47	173
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	18,639	14,732	47	173
Non-current assets				
Investments	–	–	–	–
Receivables – due from general fund	–	–	43,675	5,338
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	174,963	118,797	150,331	91,730
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	174,963	118,797	194,006	97,068
TOTAL ASSETS	193,602	133,529	194,053	97,241
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	3,144	1,096	9	–
Borrowings	–	–	–	–
Provisions	44	44	–	49
Total current liabilities	3,188	1,140	9	49
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	36,649	40,913
Provisions	–	–	–	6
Total non-current liabilities	–	–	36,649	40,919
TOTAL LIABILITIES	3,188	1,140	36,658	40,968
NET ASSETS	190,414	132,389	157,395	56,273
EQUITY				
Retained earnings	109,995	104,251	(7,787)	(5,290)
Revaluation reserves	80,419	28,138	165,182	61,563
Council equity interest	190,414	132,389	157,395	56,273
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	190,414	132,389	157,395	56,273

The former Parramatta City Council

Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

The former Parramatta City Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies

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

These financial statements have been prepared for the period 1 July 2015 – 12 May 2016, comparatives are for the year ended 30 June 2015.

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) 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, *Application of National Competition Policy to Local Government*.

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

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

The former Parramatta City Council

Notes to the Special Purpose Financial Statements

for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The 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'.

The former Parramatta City Council

Notes to the Special Purpose Financial Statements for the period 1 July 2015 to 12 May 2016

Note 1. Significant accounting policies (continued)

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

The rate of return on capital is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 12 May

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.31% at 12/5/16.

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 former 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 a special purpose financial statements, of the former Parramatta City Council (the former Council), which comprises the Statement of Financial Position by Business Activity for the period ended 12 May 2016, the Income Statement by Business Activity for the period then ended, Notes to the financial statements for the Business Activities identified by the Administrator and the Statement by the Administrator and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the period ended 12 May 2016.

Administrator's responsibility for the financial statements

The Administrator of the former Council is responsible for the preparation and fair presentation of the financial statements and has 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 Administrator's responsibility also includes such internal control as the Administrator determine is necessary to enable the preparation of the financial statements that is 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 the Administrator, 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 Activities of the former Parramatta City Council as of 12 May 2016 and its financial performance by Business Activities for the period 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 describes the basis of accounting. The financial statements has been prepared for the purpose of fulfilling the Administrator'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.



PricewaterhouseCoopers



Marc Upcroft
Partner

Sydney
2 December 2016



The former Parramatta City Council

SPECIAL SCHEDULES

for the period 1 July 2015 to 12 May 2016

The former Parramatta City Council

Special Schedules

for the period 1 July 2015 to 12 May 2016

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5

¹ Special Schedules are not audited.

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.

The former Parramatta City Council

Special Schedule 1 – Net Cost of Services

for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	4,351	–	–	(4,351)
Administration	72,362	13,802	4,150	(54,410)
Public order and safety				
Fire service levy, fire protection, emergency services	1,558	–	–	(1,558)
Beach control	–	–	–	–
Enforcement of local government regulations	3,875	8,357	–	4,482
Animal control	–	–	–	–
Other	6	–	–	(6)
Total public order and safety	5,439	8,357	–	2,918
Health	742	417	–	(325)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	3,225	2,634	656	65
Solid waste management	14,540	19,667	–	5,127
Street cleaning	5,986	42	–	(5,944)
Drainage	3,848	101	–	(3,747)
Stormwater management	–	–	–	–
Total environment	27,599	22,444	656	(4,499)
Community services and education				
Administration and education	1,401	91	1,231	(79)
Social protection (welfare)	1,012	69	–	(943)
Aged persons and disabled	1,841	1,190	–	(651)
Children's services	3,520	3,831	–	311
Total community services and education	7,774	5,181	1,231	(1,362)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	2,546	1,346	–	(1,200)
Town planning	2,340	617	–	(1,723)
Other community amenities	–	–	–	–
Total housing and community amenities	4,886	1,963	–	(2,923)

The former Parramatta City Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 1 July 2015 to 12 May 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,219	587	–	(5,632)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	472	16	–	(456)
Performing arts venues	5,493	3,070	–	(2,423)
Other performing arts	–	–	–	–
Other cultural services	2,623	74	1,847	(702)
Sporting grounds and venues	1,401	502	706	(193)
Swimming pools	3,937	2,101	1,539	(297)
Parks and gardens (lakes)	6,548	213	6,032	(303)
Other sport and recreation	543	580	–	37
Total recreation and culture	27,236	7,143	10,124	(9,969)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	6,798	4,210	–	(2,588)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	6,798	4,210	–	(2,588)
Transport and communication				
Urban roads (UR) – local	13,190	2,273	3,942	(6,975)
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	2,882	9,414	308	6,840
Footpaths	1,738	32	1,369	(337)
Aerodromes	–	–	–	–
Other transport and communication	725	1,037	–	312
Total transport and communication	18,535	12,756	5,619	(160)
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	3,396	1,630	–	(1,766)
Total economic affairs	3,396	1,630	–	(1,766)
Totals – functions	179,118	77,903	21,780	(79,435)
General purpose revenues ⁽¹⁾		114,744		114,744
Share of interests – joint ventures and associates using the equity method	–	506		506
NET OPERATING RESULT ⁽²⁾	179,118	193,153	21,780	35,815

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

(2) As per the Income Statement

The former Parramatta City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 1 July 2015 to 12 May 2016

\$'000

Classification of debt	Principal outstanding at beginning of the period			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for period	Principal outstanding at the end of the period		
	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	10,196	70,303	80,499	–	7,454	–	–	3,478	13,787	59,258	73,045
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	10,196	70,303	80,499	–	7,454	–	–	3,478	13,787	59,258	73,045
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	10,196	70,303	80,499	–	7,454	–	–	3,478	13,787	59,258	73,045

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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

The former Parramatta City Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance to 12/5/16	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised	285	970	4,285	4,120	88,237	142,700	12%	73%	14%	1%	0%
	Sub-total	285	970	4,285	4,120	88,237	142,700	11.6%	73.2%	14.4%	0.8%	0.0%
Other	Other structures	163	554	2,399	2,604	68,378	82,232	12%	73%	14%	1%	0%
	Sub-total	163	554	2,399	2,604	68,378	82,232	11.6%	73.2%	14.4%	0.8%	0.0%
Roads	Sealed roads	6,462	19,774	9,155	10,726	570,906	729,085	40%	36%	21%	3%	0%
	Bridges	311	1,056	516	514	58,145	82,056	29%	42%	28%	2%	0%
	Footpaths	1,714	4,839	5,489	5,453	107,681	134,417	14%	60%	23%	4%	1%
	Bulk earthworks	–	–	–	–	128,771	128,771	100%	0%	0%	0%	0%
	Sub-total	8,487	25,669	15,160	16,693	865,503	1,074,329	43.1%	35.2%	18.9%	2.5%	0.3%
Stormwater drainage	Stormwater drainage	1,610	1,368	2,282	2,279	203,618	321,911	3%	89%	8%	0%	0%
	Sub-total	1,610	1,368	2,282	2,279	203,618	321,911	2.6%	89.3%	7.6%	0.2%	0.3%
Open space/recreational assets	Swimming pools	18	65	273	262	2,819	9,091	12%	73%	14%	1%	0%
	Other open space/recreational assets	267	1,014	12,259	12,225	78,332	133,485	12%	73%	14%	1%	0%
	Sub-total	285	1,079	12,532	12,487	81,151	142,576	11.6%	73.2%	14.4%	0.8%	0.0%
	TOTAL – ALL ASSETS	10,830	29,640	36,658	38,183	1,306,887	1,763,748	29.1%	53.0%	15.9%	1.7%	0.3%

The former Parramatta City Council

Special Schedule 7 – Report on Infrastructure Assets as at 12 May 2016 (continued)

Notes:

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

Infrastructure asset condition assessment 'key'

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

The former Parramatta City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016

\$ '000	Amounts	Indicator	Prior periods	
	12/5/16	12/5/16	30/6/15	30/6/14
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>22,378</u>	80.10%	83.22%	75.75%
Depreciation, amortisation and impairment	<u>27,939</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>10,830</u>	0.83%	0.74%	4.58%
Carrying value of infrastructure assets	<u>1,306,887</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>38,183</u>	1.04	0.97	0.91
Required asset maintenance	<u>36,658</u>			
4. Capital expenditure ratio				
Annual capital expenditure	<u>91,233</u>	2.61	2.99	2.22
Annual depreciation	<u>34,943</u>			

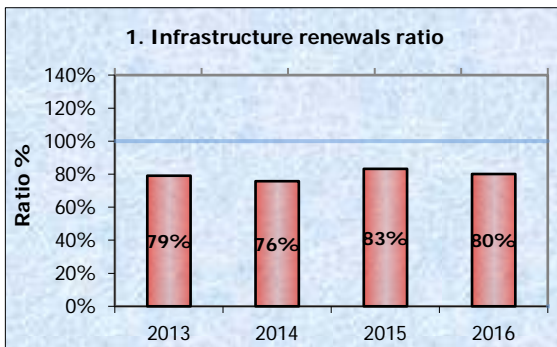
Notes

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

The former Parramatta City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 1 July 2015 to 12 May 2016



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.

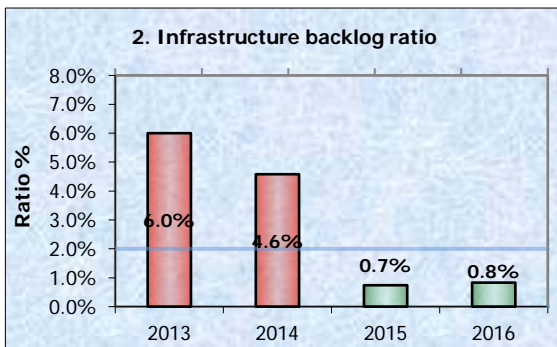
Commentary on 12/5/16 result

12/5/16 ratio 80.10%

This ratio remains consistent with prior years and was impacted by the amended reporting year. Further this ratio has been adversely impacted by the accelerated depreciation on Parramatta Pool and if this had not occurred the ratio would have been 110%.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves 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.

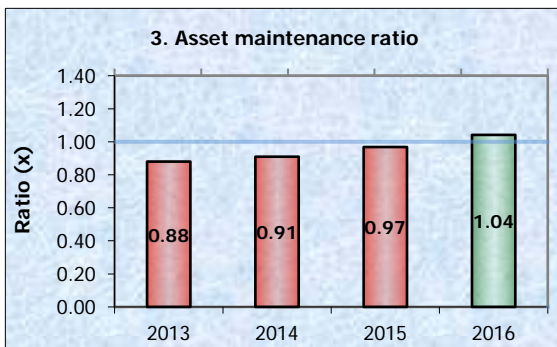
Commentary on 12/5/16 result

12/5/16 ratio 0.83%

This ratio continues the improvement trend due to the significant decrease in backlog as a result of reassessing the methodology

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves 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.

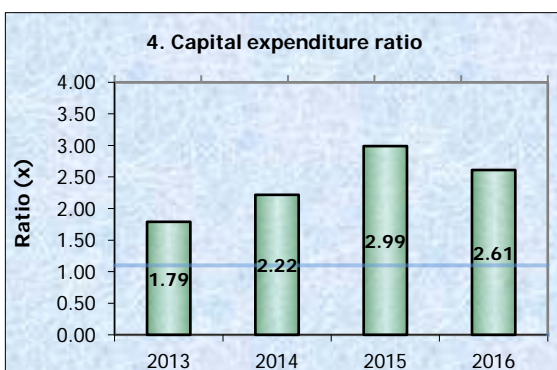
Commentary on 12/5/16 result

12/5/16 ratio 1.04 x

Council has met the benchmark in line with previous year forecasts.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves 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 12/5/16 result

12/5/16 ratio 2.61 x

Council continues to invest funds in capital expenditure and the dip in performance from prior years is due to the modified reporting period and timing of capital expenditure program.

Benchmark: ——— Minimum > 1.10
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark