



2013–14

City of Sydney **FINANCIAL STATEMENT**



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City of Sydney

General Purpose Financial Statements

for the financial year ended 30 June 2014

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for City of Sydney.

(ii) City of Sydney is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 03 November 2014. Council has the power to amend and reissue these financial statements.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

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

City of Sydney

General Purpose Financial Statements for the financial year ended 30 June 2014

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

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

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

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

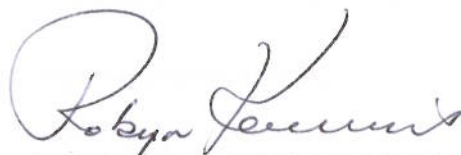
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 3 November 2014.



Clover Moore
LORD MAYOR



Robyn Kemmis
DEPUTY LORD MAYOR



Monica Barone
CHIEF EXECUTIVE OFFICER



Bill Carter
CHIEF FINANCIAL OFFICER

City of Sydney

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014 \$ '000		Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
279,500	Rates & Annual Charges	3a	279,682	272,537
93,800	User Charges & Fees	3b	95,164	91,895
16,800	Interest & Investment Revenue	3c	27,412	25,998
95,900	Other Revenues	3d	97,647	94,620
14,300	Grants & Contributions provided for Operating Purposes	3e,f	10,978 ²	13,141
22,000	Grants & Contributions provided for Capital Purposes	3e,f	81,784	96,233
Other Income:				
-	Net gains from the disposal of assets	5	4,815	4,822
	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
522,300	Total Income from Continuing Operations		597,481	599,246
Expenses from Continuing Operations				
189,300	Employee Benefits & On-Costs	4a	194,633	180,253
90,100	Materials & Contracts	4c	105,350	105,542
117,000	Depreciation & Amortisation	4d	108,231	110,378
	Impairment	4d	-	-
104,100	Other Expenses	4e	92,525	89,224
	Interest & Investment Losses	3c	-	-
	Net Losses from the Disposal of Assets	5	-	-
500,500	Total Expenses from Continuing Operations		500,739	485,398
21,800	Operating Result from Continuing Operations		96,742	113,848
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
21,800	Net Operating Result for the Year		96,742	113,848
21,800	Net Operating Result attributable to Council		96,742	113,848
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
(200)			14,958	17,615

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 2013/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

City of Sydney

Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		96,742	113,848
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	28,005	-
- Transfer from Retained Surplus to Trust Asset Revaluation Reserve		-	(46,593)
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve		-	11,971
- Transfer to Trust Asset Revaluation Reserve of the net effect of the above		-	34,622
Total Items which will not be reclassified subsequently to the Operating Result		28,005	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		28,005	-
Total Comprehensive Income for the Year		124,747	113,848
Total Comprehensive Income attributable to Council		124,747	113,848

City of Sydney

Statement of Financial Position
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	75,400	89,447
Investments	6b	261,144	213,483
Receivables	7	95,273	48,772
Inventories	8	1,371	1,360
Other	8	3,869	3,705
Total Current Assets		437,057	356,767
Non-Current Assets			
Investments	6b	229,876	210,831
Receivables	7	20,438	41,695
Infrastructure, Property, Plant & Equipment	9	6,677,259	6,624,483
Investment Property	14	201,430	194,005
Other	8	216	230
Total Non-Current Assets		7,129,219	7,071,244
TOTAL ASSETS		7,566,276	7,428,011
LIABILITIES			
Current Liabilities			
Payables	10	81,364	73,201
Provisions	10	54,318	50,111
Total Current Liabilities		135,682	123,312
Non-Current Liabilities			
Provisions	10	22,337	21,188
Total Non-Current Liabilities		22,337	21,188
TOTAL LIABILITIES		158,019	144,500
Net Assets		7,408,257	7,283,511
EQUITY			
Retained Earnings	20	2,940,063	2,843,321
Revaluation Reserves	20	4,468,194	4,440,189
Total Equity		7,408,257	7,283,511

City of Sydney

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		2,843,321	4,440,189	7,283,511	-	7,283,511
Net Operating Result for the Year		96,742		96,742	-	96,742
Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Reserve	20b (ii)		28,005	28,005		28,005
Other Comprehensive Income		-	28,005	28,005	-	28,005
Total Comprehensive Income (c&d)		96,742	28,005	124,747	-	124,747
Equity - Balance at end of the reporting period		2,940,063	4,468,194	7,408,257	-	7,408,257
2013						
Opening Balance (as per Last Year's Audited Accounts)		2,776,066	4,393,596	7,169,662	-	7,169,662
Net Operating Result for the Year		113,848	-	113,848	-	113,848
Other Comprehensive Income						
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve	20b (ii)	-	11,971	11,971	-	11,971
- Transfer from Retained Surplus to Trust Asset	20b (ii)	(46,593)	-	(46,593)	-	(46,593)
- Transfer to Trust Asset Revaluation Reserve	20b (ii)	-	34,622	34,622	-	34,622
Other Comprehensive Income		(46,593)	46,593	0	-	0
Total Comprehensive Income (c&d)		67,255	46,593	113,849	-	113,849
Equity - Balance at end of the reporting period		2,843,321	4,440,189	7,283,511	-	7,283,511

City of Sydney

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
<u>Receipts:</u>				
278,700	Rates & Annual Charges		277,082	261,512
93,800	User Charges & Fees		96,943	90,457
16,800	Investment & Interest Revenue Received		21,005	27,934
36,300	Grants & Contributions		66,265	80,471
600	Bonds, Deposits & Retention amounts received		10,401	4,327
112,700	Other		101,212	83,479
<u>Payments:</u>				
(189,300)	Employee Benefits & On-Costs		(191,404)	(177,985)
(90,100)	Materials & Contracts		(115,379)	(118,070)
	Bonds, Deposits & Retention amounts refunded		(8,630)	(9,218)
(102,500)	Other		(106,505)	(105,189)
157,000	Net Cash provided (or used in) Operating Activities	11b	150,990	137,718
Cash Flows from Investing Activities				
<u>Receipts:</u>				
	Sale of Investment Securities		354,723	420,659
	Sale of Infrastructure, Property, Plant & Equipment		9,884	11,065
<u>Payments:</u>				
	Purchase of Investment Securities		(417,489)	(402,814)
	Additions to Investment Property		(552)	(4,387)
(249,800)	Purchase of Infrastructure, Property, Plant & Equipment		(111,602)	(159,680)
(249,800)	Net Cash provided (or used in) Investing Activities		(165,036)	(135,157)
Cash Flows from Financing Activities				
<u>Receipts:</u>				
	Nil			
<u>Payments:</u>				
	Nil			
-	Net Cash Flow provided (used in) Financing Activities		-	-
(92,800)	Net Increase/(Decrease) in Cash & Cash Equivalents		(14,046)	2,561
92,800	plus: Cash & Cash Equivalents - beginning of year	11a	89,447	86,886
-	Cash & Cash Equivalents - end of the year	11a	75,400	89,447
Additional Information:				
	plus: Investments on hand - end of year	6b	491,020	424,314
	Total Cash, Cash Equivalents & Investments		566,420	513,761
Please refer to Note 11 for information on the following:				
- Non Cash Financing & Investing Activities.				
- Financing Arrangements.				
- Net cash flow disclosures relating to any Discontinued Operations				

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

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**CITY OF SYDNEY
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board, the Local Government Act 1993 and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. City of Sydney (Council) is a not for profit entity for the purpose of preparing the financial statements.

These financial statements encompass all business and non-business operations which the City of Sydney controls and have been prepared on the accrual basis of accounting.

New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2013 affected any of the amounts recognised in the current period or any prior period and they are not likely to affect future periods.

Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value through profit or loss, employee leave entitlements shown at the present value of future cash flows, and certain classes of infrastructure, property, plant and equipment and investment property shown at fair value.

Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

- *Critical accounting estimates and assumptions*

City of Sydney makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below.

- (i) Estimated fair values of investment properties.
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated determination of infringement charges under the Parking Enforcement Agreement.
- (iv) Estimated employee benefits.

- *Critical judgements in applying the entity's accounting policies*

(i) Impairment of Receivables

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

(ii) Projected Section 94 Commitments

Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

2. The Local Government Reporting Entity and Principles of consolidation

Council has its principal business office at Town Hall House, 456 Kent Street, Sydney, NSW 2000, Australia. Council is empowered by the New South Wales Local Government Act 1993 and its Charter is specified in Section 8 of the Act.

A description of the nature of Council's operations and its principal activities are provided in Note 2 of this report.

These General Purpose Financial Statements incorporate the assets and liabilities of the Council for the financial period ended on 30 June 2014. In the process of reporting on the local government as a single unit, all transactions and balances between distinct Council activities (for example, loans and transfers) have been eliminated.

2.1 The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (as amended), all money and property received by Council is held in Council's Consolidated Fund unless it is required to be held in Council's Trust Fund. The Consolidated Fund and any other entities through which Council controls resources to carry on its functions, including reserve trusts relating to Crown reserves, have been included in the financial statements forming part of this report.

2.2 The Trust Fund

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

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

2.3 Joint Venture

Council did not at any time for the years presented have an interest in any joint venture.

3. Revenue recognition

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

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

3.1 Rates

The rating period and reporting period for the Council coincide. Accordingly, all rates levied for the year are recognised as revenues. Uncollected rates are recognised as receivables after providing for amounts due from unknown owners, postponed rates and doubtful rates for properties on leased Crown Land in accordance with the requirements of the Local Government Act 1993. A provision for doubtful debts on all other rates has not been established, as unpaid rates represents a charge against the rateable property that will be recovered when the property is next sold.

3.2 Grants, Contributions and Donations

Grants, contributions and donations (in cash or in kind) are recognised as revenues when Council obtains control over the assets comprising the contributions. Control over granted assets is normally obtained upon their receipt.

When notification has been received that a grant has been secured and Council acts in reliance of that notification, control is deemed at that time.

Yet to be received contributions over which Council has control are recognised as receivables.

Where grants, contributions and donations are recognised as revenues during the reporting period on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in these notes.

The amount of grants and contributions recognised as revenues in a previous reporting period which were obtained in respect of Council's operations for the current reporting period are also disclosed.

3.3 Contributions under Section 94 of the Environmental Planning and Assessment (EPA) Act 1979

Council has obligations to provide facilities from contributions required from developers under the provisions of s.94 of the EPA Act 1979. These contributions may be expended only for the purposes for which the contributions were required, but Council may, within each area of benefit, apply contributions according to the priorities established in the relevant contributions plans and accompanying works schedules.

Contributions plans adopted by Council are available for public inspection free of cost.

3.4 User charges and fees

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

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

3.5 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.

3.6 Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

3.7 Infringement charges and parking fees

Parking fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs. Infringement charges are recognised as revenue when the penalty has been applied to the extent of expected recovery determined in accordance with past experience.

3.8 Environmental Upgrade Agreement receipts

Payments received in respect of principal and interest repayments under agreements made in accordance with *Local Government Amendment (Environmental Upgrade Agreements) Act 2010* are not recognised as revenue.

4. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities on the balance sheet.

Short-term, highly liquid investments are valued at market value in accordance with the policy in Note 1(6). All revenue and changes in market values are recognised in the income statement.

5. Policy on internal and external restrictions on cash, cash equivalents and investments –

Cash, cash equivalents and investments are restricted for prudent financial management purposes as follows:

Employee Leave Entitlements - 10% of the employee leave entitlement provision is set aside to fund extraordinary movements of staff. Normal annual payments of leave entitlements are funded from operating income.

Public Liability Insurance - Cash has been restricted for 100% of the provision.

Workers Compensation Insurance - In accordance with actuarial advice, Council restricts funds for 100% of the provision, plus an additional 'prudent margin'.

Domestic Waste - Any cash surplus from operations is held as a restricted asset to fund future capital expenditure or process improvements to the Domestic Waste collection business.

Performance Bond Deposits - All security deposits are held as restricted funds.

Commercial Properties - Funds from the divestment of excess commercial properties are set aside to reinvest and continue the revenue stream from and maintain diversification of Council's large commercial and investment property portfolio.

Unexpended Grants - 100% of cash grants received not spent during the year are treated as restricted funds.

Developer Contributions - 100% of cash Developer Contributions levied under Section 94, Section 61, Bonus Floor Space scheme and Voluntary Planning Agreements (including the Developer Rights Scheme for Green Square Town Centre) received but not yet expended in accordance with the applicable deed or contributions plan.

Contributions – Capital Works - 100% of cash contributions provided to Council by third parties that are yet to be expended on the project/s for which they were provided.

Stormwater Management - Funds received through the stormwater levy are set aside for various structural and non-structural programs used to reduce urban stormwater pollution. Unspent funds are held as restricted assets.

City Centre Transformation - Monies set aside to meet future contributions to the State Government in respect of the future transformation of George Street into a shared pedestrian zone incorporating light rail.

Green Square Town Centre - Monies set aside in anticipation of Green Square infrastructure not funded by developer contributions or grant funding.

Green Infrastructure - Monies set aside for implementing green infrastructure projects including co/trigeneration plants, water recycling and evacuated waste systems to deliver enhanced environmental benefits to the organisation and community.

Renewable Energy - Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources. A further \$2M per annum will be set aside until 2014/15

Community Facilities - Cash proceeds from the divestment of properties that no longer fulfill community needs are set aside for the future acquisition or development of property to improved community spaces or replacement facilities that meet community needs at that time.

Operational Facilities - Cash proceeds from the divestment of surplus operational properties are set aside for the future acquisition or development of properties to supplement or replace buildings within the current operational building assets portfolio that provide infrastructure for the operation of Council's services.

Infrastructure Contingency - 100% of monies are set aside for the immediate funding of urgent and expensive rectification of historic buildings and ageing infrastructure (eg. stormwater).

Public Roads - In accordance with section 43 (4) of the Roads Act (NSW) 1993, proceeds from the sale of (former) public road are set aside for the acquisition of land for public roads, and/or carrying out works on public roads.

6. Investments and other financial assets

6.1 Classification

Council classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its

investments at initial recognition and, in the case of assets classified as held-to-maturity, 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 are financial assets available for trading and include any assets that may be acquired principally for the purpose of selling in the short term. Derivatives are not acquired unless they are required as hedges. Assets in this category are classified under current assets as either cash equivalents where the maturity is 90 days or less from balance date, or as investments where the maturity dates are longer.

(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 are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Council did not at any time for the years presented hold any available-for-sale financial assets.

6.2 Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

6.3 Subsequent measurement

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

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement within other income or other expenses in the period in which they arise.

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

6.4 Fair value

The fair value of financial instruments traded in active markets is based on quoted bid prices at the reporting date.

The fair value of financial instruments that are not traded in an active or orderly market is determined using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, reference to credible market information, discounted cash flow analysis, and option

pricing models providing indicative prices making maximum use of market inputs and relying as little as possible on entity-specific inputs.

6.5 Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

6.6 Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act and S212 of the Local Government (General) Regulations 2005. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing council funds.

Council amended its investment policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments Council holds are no longer prescribed, however they have been retained under grandfathering provisions of the Order. These will either be held to maturity or disposed of when most financially advantageous to Council.

7. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

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

Non-current receivables represent unconditional future entitlements to works in kind for which construction certificates have been issued and are only recognised once secured by bank guarantees, security deposits or other similar forms of security.

8. Inventories

Council holds inventories for consumption for the purpose of providing works and services. There is no objective of sale for such items. Council values these items at cost, assessed for loss of service potential. Where appropriate, Council writes the value down accordingly.

Council does not hold any land inventories for re-sale.

9. Infrastructure, property, plant and equipment

9.1 Valuation of assets

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Division of Local Government. Fair value estimations are determined in accordance with the policy stated in the *Fair Value* paragraph of the Note 1- Summary of Significant Accounting Policies.

At balance date the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Operational land (external valuation).
- Buildings (including buildings subject to long-term leases) – Specialised/Non-Specialised (external valuation).
- Plant and equipment (internal valuation).
- Land under roads (internal valuation).
- Road assets – roads, bridges and footpaths (internal valuation).
- Drainage assets (internal valuation).
- Community land (internal valuation).
- Land improvements (internal valuation).
- Other structures - Trees (internal valuation).
- Other structures - Signs (internal valuation).
- Public Art (external valuation).
- Heritage Collection (external valuation).

Council assesses at each reporting date whether there is any indication that the carrying value of an asset or asset class may differ materially from that which would be determined if the asset or asset class were revalued at the reporting date. If any such indication exists, Council determines the fair value of the asset or asset class and revalues the asset or asset class to that amount. Full revaluations are undertaken for all assets on a minimum 5 year cycle.

Operational land that is either subject to development as Community land or is zoned by Council as Open space is classified as Community land.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised in profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Council considered that comparability with State organisations and other major councils was of greater significance than recognising the notional completeness of the asset class. Since Council had not recognised any land under roads before 1 July 2008 there was no requirement to derecognise at 1 July 2008 such land against the opening balance of retained earnings. The value of land under roads not recognised is disclosed in Note 9(a).

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

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

When assets are acquired through contributions, they are valued at fair value at the time of acquisition.

9.2 Depreciation of assets

Land, Trees, Road signs and Heritage assets are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost over their estimated useful lives, as follows:

Bridges	100 years
Buildings – Exterior Fabric and components	15 - 200 years
Computer Equipment	4 years
Drainage	100 years
Footpaths	30 - 50 years
Furniture & Fittings	5 - 10 years
Kerbs & Gutters	50 - 150 years
Library Resources	3 - 10 years
Office Equipment	5 years
Other Structures	25 - 50 years
Parking Meters	7 years
Parks & Assets	25 - 50 years
Plant & Equipment	3 - 10 years
Public Art	100 years
Roads – Lower Strata	100 years
Roads – Upper Strata	20 - 50 years
Street Furniture	20 years
Swimming Pools	30 years
Vehicles & Road-making Equipment	7 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

9.3 Impairment of assets

Assets that have an indefinite useful life are not subject to depreciation and amortisation and are tested annually for 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.

For non-cash generating assets of the Council such as roads, drains, public buildings, etc., value in use is represented by the deprival value of the asset approximated by its written down replacement cost.

9.4 Classification of property

Property assets are classified as follows:

- Operational – Property assets classified as operational are owner-occupied and owner-operated properties of Council used for conducting Council operations
- Community – Property assets classified as community are publicly accessible and are clearly identified as kept for use by the general public for community, cultural or recreational purposes.
- Investment – Property assets classified as investment are primarily held to earn rentals or for capital appreciation or both. Investment properties are disclosed as a separate category in the financial statements.

10. Investment properties

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by Council. Investment property is carried at fair value, representing open-market value determined annually by a member of the Australian Property Institute.

Revaluations are undertaken every year. Changes in fair values are recorded in the income statement as part of other income.

Investment property includes properties that are under construction for future use as investment properties. These are carried at fair value unless the fair value cannot yet be reliably determined.

Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

11. Non-current assets held for sale or resale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Plant and motor vehicles which are turned over on a regular basis, financial assets, and investment properties are exempted from this classification and are retained within their original respective asset classifications.

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

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

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

12. Work In Progress

Work in progress is stated at the total costs expended on the capital works projects which are incomplete at balance date.

An impairment loss is recognised to the extent of any costs that may result in the estimated completion cost of any capital works project being in excess of its fair value at completion.

13. Payables

These amounts represent liabilities to external parties for goods and services received by Council prior to the end of the financial year which are unpaid. The amounts are unsecured and are normally paid 30 days after initial recognition. Interest is not payable on these amounts.

14. Borrowings

Borrowings, if any, are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

Council did not at any time for the years presented have any borrowings.

15. Provisions

Provisions are recognised when:

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

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

16. Employee Benefits

16.1 Salaries, Wages and Compensated Absences

Liabilities for wages and salaries and annual leave expected to be wholly settled within 12 months of the reporting date are recognised, as appropriate, in employee related payables and annual leave provision, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for long service leave, preserved sick leave, gratuities and annual leave which is not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

16.2 Superannuation

All employees of 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 statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments 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 and experience of employee departures and periods of service.

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

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB 119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB 119, because the assets are pooled together for all Councils..

Council's share of any deficiency in the Scheme 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 any deficiency can be recognised in Council's accounts. Council does, however, disclose 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.

17. Leases

Council has leases in the following categories:

17.1 Leases in which Council is lessor

Leases of property where the Council has substantially transferred to the lessee all the risks and rewards of ownership are classified as finance leases. Finance lease receivables are raised at the inception of the leases in respect the present value of the aggregate of the minimum lease payments receivable under the leases and any guaranteed residual values. Each lease payment is allocated between the receivable and interest so as to achieve a constant rate on the receivable balance outstanding. The interest revenue is credited to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the receivable for each period.

In leases classified as finance leases where the terms and conditions relating to lease payments result in either the occurrence of payments or the quantum of the payments or both being determined based upon presently undeterminable future events and occurrences, finance lease receivables are only raised at the time when the lease payments are certain and determinable.

Leases of property where Council has substantially retained all the risks and rewards of ownership are classified as operating leases. Leased property assets are reflected on the statement of financial position as assets and lease income rentals are recognised as income on a straight-line basis over the terms of the leases.

17.2 Leases in which Council is lessee

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 terms of the leases.

18. Provisions for close down and restoration costs and for environmental clean-up costs

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and 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 which are expected to arise from future disturbance. The 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down and restoration costs are a normal consequence of any service 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 provisions is charged to the income statement in each accounting period. The amortisation of the discount is shown as a borrowing cost.

Other movements in the provisions for close down and restoration 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 infrastructure, 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 and are recognised at the time a Remediation Action Plan (RAP) is produced. Movements in the environmental clean-up provisions are presented as an operating cost, except for the un-wind 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 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. As a result there could be

significant adjustments to the provision for close down and restoration and clean-up, which would affect future financial results.

19. Budget information

The Income Statement provides budget information on major income and expenditure items. Details of material budget variations are detailed in Note 16. Note 2 also provides budget information of revenues and expenses of each of Council's major activities. Budget figures provided are those approved by Council at the beginning of the financial year and do not reflect Council approved variations throughout the year.

Budget information in the financial report is not subject to audit.

20. Goods and services Tax (GST)

In accordance with the provisions of A New Tax System (Goods and Services Tax) Act 1999 legislation, Council is required to account for GST under the 'accruals' method, and submits monthly returns to the Australian Taxation Office.

Revenues, expenses and assets are recognised net of the amount of GST, except where:

1. The amount of GST incurred, as a purchaser, that is not recoverable from the Australian Taxation Office is recognised as part of the cost of acquisition of an asset or as part of an item of expense;
2. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the Australian Taxation Office is classified as operating cash flows.

21. Insurance

Pursuant to Section 382 of the Local Government Act NSW 1993, Council has primary and excess layer insurance cover against Public Liability and Professional Indemnity Liability. Council carries a self-insured retention (deductible) on this policy and makes provision for its uninsured exposure in relation to claims outstanding.

Council's other significant insurance cover is its Industrial Special Risks Insurance. This policy covers Council's owned diverse property portfolio and leased properties, where required, together with contents and equipment in these properties. The deductible within this policy also reflects an acceptance of risk within reasonable commercial, financial and operational boundaries.

Council is a self-insurer, to a self-insured retention level, of its Workers' Compensation liability. To fulfil a condition of WorkCover's NSW Workers' Compensation Self-Insurance licence, Council has Excess Employers Indemnity Insurance cover, which is unlimited in excess of Council's self-insured retention. Council's liability for worker's compensation is assessed annually by an actuary. In determining this assessment, the actuary incorporates major assumptions relating to discount rates, average weekly earnings and claims experience based on market data and actual levels of experience.

In addition to the above insurance coverage, Council has other classes of insurance covering risks such as Councillors' and Officers' Liability, General Property, Contract Works, Fidelity Guarantee, Hirers' and Authorised Users Liability etc.

22. Treatment of Parking Enforcement Agreement with NSW Police

Council has an agreement with NSW Police for the provision of parking enforcement services within the CBD. Under this agreement Council has agreed to pay NSW Police 50% of the net profits generated from the provision of the service. This payment is recognised as an operating expense within the income statement. Revenues from the issuing of infringement notices are shown as gross amounts. The value of infringements is determined by NSW Police.

Council does not recognise a receivable for all infringement notices at the time each notice is issued. The lack of certainty of collection precludes this accounting treatment. Council has applied a policy of recognising as a

receivable that portion of infringement notices that are likely to be collected based on past experience in the collection of such notices.

23. Fair value estimation

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

The fair value of non-current assets is determined as follows:

- Operational land and all buildings is determined by professionally qualified valuers:
 - from market-based evidence by appraisal, or
 - where there is no market-based evidence because of the specialised nature of the land or building and there is a lack of transactional evidence, an estimate using a depreciated replacement cost approach.
- Community land is valued on the deprival method using Valuer-General valuations of immediately adjacent properties.
- Land under roads acquired after 1 July 2008 is valued as approximated by the average Valuer-General valuations of all land in the surrounding suburbs within the Local Government area.
- Public Art and the Heritage Collection is determined by professionally qualified valuers from market-based evidence by appraisal.
- Road assets, Drainage assets and Land improvements are determined by depreciated replacement cost based on existing asset replacement contracts.
- Other structures – Trees and Signs are determined by replacement cost based on existing asset replacement contracts.
- Plant and equipment and other assets are determined as approximated by depreciated historical cost.

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value via indicative values for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

24. Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is 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, this being the Council's operational cycle. In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months.

25. Comparative amounts

Comparative amounts included in the financial statements relate to the financial year ended 30 June 2013. These figures have been reclassified, where necessary, on a basis consistent with current disclosure for 2013-14.

26. Rounding of amounts

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

27. Crown Reserves and Controlled Preservation Assets

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

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

These financial statements are consolidated financial statements for Council and the entities through which the Crown Reserves are controlled. The parent entity has not been deemed a separate reporting identity in accordance with AASB 127 as no specific users of that information were identified.

Other assets not owned by Council and which are not Crown Reserves but which come under Council's care and control for preservation purposes are also accounted for in the same manner as Crown Reserves. The operational control of these assets is based on maintaining and preserving these assets for the benefit and enjoyment of the community. Consequently, the assets are maintained and they are not 'consumed' in the traditional manner in the operational activities of Council. Currently, Customs House, which is owned by the Federal Government, is controlled by Council under a 60 year lease and is accounted for under this method.

28. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. NSW Council's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards-Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards-Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

Council has not yet fully assessed the impact on the reporting of the financial position and performance on adoption of AASB 9.

- (ii) *AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 financial statements)*

There are no changes to reported financial position or performance from AASB 2013-3; however, additional disclosures may be required.

- (iii) *AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2014 for not-for-profit entities)*

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and *Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be

positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles-based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules. As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not re-measure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a 'partial disposal' concept. Council is still assessing the impact of these amendments.

There are no other standards that are not yet effective and that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

29. Authorisation for issue

The financial statements were authorised for issue by the Council on 3 November 2014. Council has the power to amend and reissue the financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Globally competitive and innovative city	42,413	36,649	36,704	52,013	45,067	46,884	(9,600)	(8,418)	(10,180)	50	-	357	773
Leading environmental performer	2,822	2,013	2,218	64,316	62,797	59,437	(61,494)	(60,784)	(57,219)	25	1,118	25,590	17,492
Integrated transport for a connected city	67,198	66,898	65,603	44,748	43,620	45,613	22,450	23,278	19,990	3,474	2,791	1,026,489	1,082,297
City for walking and cycling	-	-	-	1,800	2,928	1,360	(1,800)	(2,928)	(1,360)	-	-	65,520	-
Lively and engaging city centre	165	239	201	870	802	886	(705)	(563)	(685)	-	-	-	597
Vibrant local communities and economies	14,899	15,973	16,144	73,621	71,977	84,209	(58,722)	(56,004)	(68,065)	4,508	5,417	4,123,214	4,153,904
Cultural and creative city	2,266	2,398	2,097	5,334	5,267	4,753	(3,068)	(2,869)	(2,656)	-	-	-	51
Housing for a diverse population	-	-	-	-	-	-	-	-	-	-	-	-	-
Sustainable development renewal and design	14,064	13,297	11,496	32,691	29,422	28,127	(18,627)	(16,125)	(16,631)	500	110	-	-
Implementation through effective governance and partnership	98,973	180,332	192,247	225,107	238,859	214,129	(126,134)	(58,527)	(21,883)	2,535	501	2,325,106	2,172,897
Total Functions & Activities	242,800	317,799	326,710	500,500	500,739	485,399	(257,700)	(182,940)	(158,689)	11,092	9,937	7,566,276	7,428,011
General Purpose Income ¹	279,500	279,682	272,537	-	-	-	279,500	279,682	272,537	2,994	4,162	-	-
Operating Result from Continuing Operations	522,300	597,481	599,246	500,500	500,739	485,399	21,800	96,742	113,847	14,087	14,099	7,566,276	7,428,011

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

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

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:

GLOBALLY COMPETITIVE AND INNOVATIVE CITY

Activities include economic development, cultural events, tourism as well as other factors contributing to a global city that are not included under other activities, such as lifestyle, cultural diversity, adequate transport and affordable housing.

LEADING ENVIRONMENTAL PERFORMER

Activities comprise ecologically sustainable development including environmental projects and program development,

INTEGRATED TRANSPORT FOR A CONNECTED CITY

Activities comprise advocacy for the State and Federal Governments to invest in a high quality world-class transport system that is well planned, efficient and integrated as an essential cornerstone of sustainable development. Additional services include planning and transport management, road and streetscape maintenance, inspection and parking.

CITY FOR WALKING AND CYCLING

Activities include providing alternative, active and sustainable means of transport to provide a bicycle-friendly environment and a pedestrian plan based on public space life studies. Activities are aimed at improving health and reducing greenhouse emissions and road congestion for the City.

LIVELY AND ENGAGING CITY CENTRE

Activities include the provision of more safe and attractive public spaces for people to enjoy themselves and to create more activities that enliven the streets, including the provision of a public square at Town Hall.

VIBRANT LOCAL COMMUNITIES AND ECONOMIES

Activities comprise planning activities, economic development, and the provision of parks and recreation areas for both local residents and daily visitors. Responsibilities include community development interaction, building strong and positive relationships and partnerships with community organisations and the provision of community facilities.

CULTURAL AND CREATIVE CITY

Activities comprise the provision of spaces for artists to work and show their wares, the use of public domain to make art more accessible to the public and the recognition and celebration of the traditional and living Aboriginal and Torres Strait Island culture.

HOUSING FOR A DIVERSE POPULATION

Activities include planning and facilitating partnerships and using planning controls to identify the character of the villages and provide guidance on what developments should look like. Planning controls are also used to guarantee a percentage of affordable housing units in large developments where relevant. Support is also given to State and Federal Government initiatives to expand affordable housing opportunities.

SUSTAINABLE DEVELOPMENT RENEWAL AND DESIGN

Activities comprise the use of planning and regulatory powers to set controls and targets for renewal and ensure that residential and commercial development is appropriate to its broader setting.

IMPLEMENTATION THROUGH EFFECTIVE GOVERNANCE AND PARTNERSHIPS

Activities comprise a commitment to work in partnership with government, business and community and to be open and accountable to the community that is served. The process includes aligning corporate planning and organisational structure through effective governance procedures in support of all activities.

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		54,262	51,283
Business		190,076	188,835
Total Ordinary Rates		244,339	240,118
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		33,494	30,590
Stormwater Management Services		1,849	1,829
Total Annual Charges		35,343	32,419
TOTAL RATES & ANNUAL CHARGES		279,682	272,537

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		13,320	12,246
Private Works - Section 67		5,219	5,742
Health Inspections		974	1,016
Total Fees & Charges - Statutory/Regulatory		19,513	19,004
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Advertising Space Income		6,293	6,174
Child Care		1,959	1,962
Parking Meter Income		35,783	34,839
Parking Station Income		9,262	8,743
Recreation Facilities Hire		4,925	4,708
Venue Hire		4,305	3,859
Workzone and Filming Fees		7,210	6,896
Other		5,914	5,710
Total Fees & Charges - Other		75,651	72,891
TOTAL USER CHARGES & FEES		95,164	91,895

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		1,442	548
- Interest earned on Investments (interest & coupon payment income)		22,058	23,420
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		3,912	2,030
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>27,412</u>	<u>25,998</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		1,442	548
General Council Cash & Investments		7,940	5,915
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		2,655	3,064
- Planning Agreements		594	496
- Bonus Floor Space Contributions		106	179
Domestic Waste Management operations		487	524
Stormwater Management Service Charge		40	37
Specific Purpose Unexpended Grants		94	134
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		14,054	15,101
Total Interest & Investment Revenue Recognised		<u>27,412</u>	<u>25,998</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	6,873	225
Rental Income - Investment Properties	14	14,661	12,283
Rental Income - Other Council Properties		39,781	42,586
Ex Gratia Rates		605	602
Fines - Enforcement of Regulations		33,792	36,719
Sponsorship and Donations		699	402
Other		1,237	1,803
<u>TOTAL OTHER REVENUE</u>		<u>97,647</u>	<u>94,620</u>

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component ¹	2,030	4,162	-	-
Financial Assistance - Local Roads Component ¹	590	1,122	-	-
Pensioners' Rates Subsidies - General Component	375	383	-	-
Total General Purpose	2,994	5,667	-	-

¹ The Financial Assistance Grant for 2013/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

Specific Purpose

Child Care	784	716	-	-
Community and Recreation	2,204	2,100	130	-
Environmental Protection	436	1,118	4,316	2,326
Library	472	466	-	-
Transport (Roads to Recovery)	-	-	420	419
Transport (Other Roads & Bridges Funding)	2,330	1,287	-	-
Total Specific Purpose	6,226	5,687	4,866	2,745
Total Grants	9,220	11,354	4,866	2,745

Grant Revenue is attributable to:

- Commonwealth Funding	4,727	6,688	4,701	2,594
- State Funding	4,493	4,667	165	151
	9,220	11,354	4,866	2,745

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000		2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions					
Developer Contributions:					
(s93 & s94 - EP&A Act, s64 of the LGA):					
S 93F - Contributions using Planning Agreements		-	-	29,215	53,301
S 94 - Contributions towards amenities/services		-	-	37,384	30,592
S 61 - Contributions towards amenities		-	-	10,229	9,541
Total Developer Contributions	17	-	-	76,828	93,434
Other Contributions:					
External Contributions to Capital Projects		-	-	90	55
Other		1,758	1,787	-	-
Total Other Contributions		1,758	1,787	90	55
Total Contributions		1,758	1,787	76,918	93,488
<u>TOTAL GRANTS & CONTRIBUTIONS</u>		<u>10,978</u>	<u>13,141</u>	<u>81,784</u>	<u>96,233</u>

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

	Actual 2014	Actual 2013
\$ '000		
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	133,136	97,351
add: Grants & contributions recognised in the current period but not yet spent:	74,731	91,624
less: Grants & contributions recognised in a previous reporting period now spent:	(46,290)	(55,839)
Net Increase (Decrease) in Restricted Assets during the Period	28,441	35,785
Unexpended and held as Restricted Assets	161,577	133,136
Comprising:		
- Specific Purpose Unexpended Grants	801	4,008
- Developer Contributions*	160,776	129,128
	161,577	133,136

* Developer Contributions consist of \$92.9M in cash and \$67.8M in receivables

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		156,311	148,055
Travelling		377	383
Employee Leave Entitlements (ELE)		18,538	15,433
Superannuation - Defined Contribution Plans		10,758	8,116
Superannuation - Defined Benefit Plans		6,395	7,093
Workers' Compensation Insurance		5,483	1,761
Fringe Benefit Tax (FBT)		460	362
Training Costs (other than Salaries & Wages)		1,649	2,005
Other		1,550	1,372
Total Employee Costs		201,520	184,580
less: Capitalised Costs		(6,887)	(4,327)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>194,633</u>	<u>180,253</u>
Number of "Equivalent Full Time" Employees at year end		1,773	1,741

(b) Borrowing Costs

Nil

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		5,289	5,317
Contractor & Consultancy Costs		-	-
- Building and Facilities Management		20,582	18,801
- City Infrastructure Management		7,742	6,625
- Parks Management		14,387	12,127
- Waste Disposal, Recycling and Graffiti Removal		10,766	10,125
- Project Costs and Minor Contracts		27,964	32,029
- Consultancies		3,305	3,943
Auditors Remuneration ⁽¹⁾		123	117
Legal Expenses:			
- Legal Expenses: Planning & Development		744	1,071
- Legal Expenses: Other		1,134	2,070
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		1,382	1,341
Asset Maintenance and Minor Purchases		9,910	9,643
Other		2,471	2,728
Total Materials & Contracts		105,796	105,937
less: Capitalised Costs		(447)	(395)
TOTAL MATERIALS & CONTRACTS		105,350	105,542
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		123	115
- Audit of regulatory returns		-	-
Remuneration for audit and other assurance services		123	115
(ii) Taxation Services - Nil			
(iii) Other Services			
- Other Services		-	2
Remuneration for other services		-	2
Total Auditor Remuneration		123	117
2. Operating Lease Payments are attributable to:			
Buildings		1,358	1,283
Motor Vehicles		23	57
		1,382	1,341

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	8,293	8,340
Office Equipment		-	-	5,779	5,339
Furniture & Fittings		-	-	2,868	6,448
Land Improvements (depreciable)		-	-	15,945	17,234
Buildings - Non Specialised		-	-	37,702	36,194
Buildings - Specialised		-	-	890	1,028
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	32,410	31,756
- Stormwater Drainage		-	-	2,544	2,470
Other Assets					
- Library Resources		-	-	1,462	1,252
- Poles & Lighting		-	-	17	17
- Public Art / Open Museum		-	-	320	301
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	108,231	110,378

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		2,919	3,120
Bad & Doubtful Debts		273	423
Bank Charges		1,280	1,273
Books and Periodicals		169	227
Computer Costs		1,864	1,348
Contributions/Levies to Other Levels of Government		24,397	24,921
Councillor Expenses - Mayoral Fee		192	187
Councillor Expenses - Councillors' Fees		356	330
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		700	601
Donations, Contributions & Assistance to other organisations (Section 356)		8,623	7,954
Election Expenses		-	1,058
Event and Project Costs		14,908	14,551
Insurance		3,107	3,253
Land Tax and Water rates		1,907	1,865
Management Fees		25	24
Other Property Related Expenditure		327	312
Parking Enforcement Profit Share		6,057	6,049
Postage and Couriers		890	955
Printing & Stationery		2,002	1,974
Public Domain Enhancement Contributions		3,427	318
Research and Development		555	468
Security		1,287	1,118
Storage		607	579
Street Lighting		5,349	5,382
Telephone & Communications		2,572	2,424
Utilities		5,576	5,359
Other		3,155	3,151
<u>TOTAL OTHER EXPENSES</u>		<u>92,525</u>	<u>89,224</u>

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		7,609	5,975
less: Carrying Amount of Property Assets Sold / Written Off		(3,437)	(5,505)
Net Gain/(Loss) on Disposal		4,172	470
Infrastructure, Plant and Equipment and Other Assets			
Proceeds from Disposal - Plant & Equipment		2,275	5,090
less: Carrying Amount of P&E Assets Sold / Written Off		(1,660)	(2,550)
Net Gain/(Loss) on Disposal		615	2,540
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		354,723	436,847
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(354,695)	(435,035)
Net Gain/(Loss) on Disposal		28	1,812
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		4,815	4,822
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		28	1,812
Net Gain/(Loss) on Disposal of Financial Instruments		28	1,812

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

		2014	2014	2013	2013
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non Current	Current	Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		5,782	-	5,838	-
Cash-Equivalent Assets ¹					
- Deposits at Call *		34,618	-	21,609	-
- Short Term Deposits *		35,000	-	62,000	-
Total Cash & Cash Equivalents		75,400	-	89,447	-
Investments (Note 6b)					
- Long Term Deposits		246,000	46,000	173,000	83,000
- NCD's, FRN's (with Maturities > 3 months)		15,144	183,876	36,602	127,831
- CDO's		-	-	-	-
- Capital Protected Notes (Equity and Asset Linked)		-	-	3,881	-
Total Investments		261,144	229,876	213,483	210,831
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		336,543	229,876	302,930	210,831

¹ Those Investments where time to maturity is < 3 mths.

* Those Term Deposits classified as cash equivalents under
AASB 139 where time to maturity (from date of purchase) is < 3 mths.

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

Cash & Cash Equivalents

a. Cash		5,782	-	5,838	-
b. "At Fair Value through the Profit & Loss"		-	-	-	-
c. "Held to Maturity"		69,618	-	83,609	-
		75,400	-	89,447	-

Investments

a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition"	6(b-i)	15,144	183,876	40,483	127,831
b. "Held to Maturity"	6(b-ii)	246,000	46,000	173,000	83,000
Investments		261,144	229,876	213,483	210,831

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

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	40,483	127,831	59,867	210,649
Revaluations (through the Income Statement)	2,620	1,292	149	1,881
Additions	5,391	84,098	-	28,814
Disposals (sales & redemptions)	(48,500)	(14,195)	(59,713)	(73,332)
Transfers between Current/Non Current	15,150	(15,150)	40,181	(40,181)
Transfers to cash and cash equivalents*	-	-	-	-
Balance at End of Year	15,144	183,876	40,483	127,831
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	15,144	183,876	36,602	127,831
- CDO's	-	-	-	-
- Capital Protected Notes (Equity and Asset Linked)	-	-	3,881	-
Total	15,144	183,876	40,483	127,831
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	173,000	83,000	136,000	48,000
Additions	313,000	15,000	306,000	68,000
Disposals (sales & redemptions)	(292,000)	-	(302,000)	-
Transfers between Current/Non Current	52,000	(52,000)	33,000	(33,000)
Transfers to cash and cash equivalents*	-	-	-	-
Balance at End of Year	246,000	46,000	173,000	83,000
Comprising:				
- Long Term Deposits	246,000	46,000	173,000	83,000
Total	246,000	46,000	173,000	83,000

* Comprising investments with less than 3 months to maturity and which are subject to minimal impact from interest rate movements - AASB 139, para 9 & 52

Note 6(b-iii)
Reconciliation of Investments
classified as "Loans & Receivables"

Nil

Note 6(b-iv)
Reconciliation of Investments
classified as "Available for Sale"

Nil

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6b. Investments (continued)

Note 6(b-v)

Investment Returns

Deposits and Call Funds are held with banks and earn various rates of interest between 2.50% and 5.88% (2013: 3.00% and 6.05%). FRNs are all invested with organisations that comply with the Minister's Order, including CDOs and Capital Protected Notes formerly held under the grandfathering provisions of that Order, and earn various rates of return between 0.00% and 7.25% (2013:0.00% and 7.25%). (The 0% earning rate is due to a small number of formerly held capital protected investments that reverted to zero-based coupon bank secured notes during the Global Financial Crisis (GFC) as part of their capital protection mechanism).

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	336,543	229,876	302,930	210,831
attributable to:				
External Restrictions (refer below)	55,006	52,918	11,925	87,207
Internal Restrictions (refer below)	202,279	176,958	219,632	123,722
Unrestricted	79,258	-	71,373	(98)
	336,543	229,876	302,930	210,831

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(D)	82,224	56,449	(45,738)	92,935
Specific Purpose Unexpended Grants	(F)	4,007	774	(3,980)	801
Domestic Waste Management	(G)	12,133	33,039	(32,268)	12,904
Stormwater Management	(G)	768	1,912	(1,396)	1,284
External Restrictions - Other		99,132	92,174	(83,382)	107,924
Total External Restrictions		99,132	92,174	(83,382)	107,924

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	5,483	2,301	(1,978)	5,806
Performance Cash Bonds and Retentions	11,163	11,691	(11,072)	11,782
Public Liability Insurance	400			400
Provision - Workers Compensation	15,617	3,657		19,274
City Centre Transformation Reserve*	180,000			180,000
Public Road Reserve	4,000	279	(4,140)	139
Community Reserve	12,456			12,456
Green Infrastructure	53,928	2,208	(10,730)	45,406
Green Square Reserve	40,000	46,325		86,325
Renewable Energy Reserve	8,097	2,000	(724)	9,373
Infrastructure Contingency	12,210		(3,934)	8,276
Total Internal Restrictions	343,354	68,461	(32,578)	379,237
TOTAL RESTRICTIONS	442,486	160,635	(115,960)	487,161

Council's policies relating to both internal and external restrictions of cash and investments are detailed in note 1-5

* Council has entered into a Memorandum of Understanding with Transport NSW for the future transformation of George Street. Council's monetary contribution will be a maximum of \$220 million. Contributions are payable in instalments over a number of years of construction subject to satisfactory completion of pre-determined milestones relating to infrastructure completion.

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges*		17,825	-	15,261	-
Interest & Extra Charges		1,976	-	755	-
User Charges & Fees		2,539	-	4,050	-
Accrued Revenues					
- Interest on Investments		4,562	-	3,288	-
- Other Income Accruals		17,041	-	13,635	-
Net GST Receivable		1,168	-	2,137	-
Rental Debtors		3,906	-	5,338	-
Outstanding Works in Kind Contributions		47,403	20,438	5,208	41,695
Total		96,421	20,438	49,672	41,695
less: Provision for Impairment					
Rates & Annual Charges		(32)	-	(68)	-
User Charges & Fees		(1,115)	-	(832)	-
Total Provision for Impairment - Receivables		(1,147)	-	(900)	-
<u>TOTAL NET RECEIVABLES</u>		<u>95,273</u>	<u>20,438</u>	<u>48,772</u>	<u>41,695</u>
Externally Restricted Receivables					
Domestic Waste Management		551		488	-
Domestic Waste Extra Charges		31		27	-
Outstanding Works in Kind Contributions		47,403	20,438	5,208	41,695
Total External Restrictions		47,985	20,438	5,723	41,695
Internally Restricted Receivables					
Nil					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		47,288	-	43,049	-
TOTAL NET RECEIVABLES		95,273	20,438	48,772	41,695

* Note that the higher level of outstanding Rates & Annual Charges reflects the levy of the Barangaroo development site for the 2012/13 and prior years, which was remitted in early July 2014.

Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).

Generally all other receivables are non interest bearing.

Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		1,371	-	1,360	-
Total Inventories		1,371	-	1,360	-
Other Assets					
Prepayments		3,855	-	3,691	-
Future Benefits - Shared Services relating to Sutherland Animal Shelter		14	216	14	230
Total Other Assets		3,869	216	3,705	230
TOTAL INVENTORIES / OTHER ASSETS		5,241	216	5,065	230
Externally Restricted Assets					
There are no restrictions applicable to the above assets.					
Total Externally Restricted Assets		-	-	-	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		5,241	216	5,065	230
TOTAL INVENTORIES & OTHER ASSETS		5,241	216	5,065	230

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period				as at 30/6/2014				
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment								Dep'n	Impairment	
Capital Work in Progress (1)	96,859	-	-	-	96,859	51,089				147,948	-	-	-	147,948
Plant & Equipment	-	60,825	28,837	-	31,988	11,233	(1,592)	(8,293)		-	67,660	34,324	-	33,336
Office Equipment	-	26,229	12,150	-	14,079	4,589		(5,779)		-	30,818	17,930	-	12,888
Furniture & Fittings	-	50,126	38,303	-	11,823	546		(2,868)		-	50,675	41,174	-	9,501
Land:														
- Operational Land	-	521,108	-	-	521,108	14,339	(2,393)			-	533,054	-	-	533,054
- Community Land (2)	-	3,784,121	-	-	3,784,121					-	3,784,121	-	-	3,784,121
- Land under Roads (post 30/6/08) (3)	-	41,525	-	-	41,525				28,005	-	69,530	-	-	69,530
Land Improvements - depreciable	-	387,964	165,593	-	222,371	7,984		(15,945)		-	395,947	181,537	-	214,410
Buildings - Non Specialised	-	1,565,119	847,558	-	717,561	32,216	(1,045)	(37,702)		-	1,586,524	875,494	-	711,030
Buildings - Specialised	-	42,810	23,335	-	19,475	512		(890)		-	43,325	24,228	-	19,097
Other Structures - Trees	-	86,265	-	-	86,265	291		-		-	86,556	-	-	86,556
Other Structures - Signs	-	8,642	-	-	8,642	179				-	8,821	-	-	8,821
Other Structures - Poles and Lights	-	345	17	-	328			(17)		-	345	34	-	311
Infrastructure:														
- Roads, Bridges, Footpaths	-	1,684,150	802,528	-	881,622	12,117	(68)	(32,410)		-	1,696,193	834,932	-	861,261
- Stormwater Drainage	-	244,756	94,513	-	150,243	1,581		(2,544)		-	246,344	97,064	-	149,280
Other Assets:														
- Heritage Collections	-	6,396	-	-	6,396	161				-	6,557	-	-	6,557
- Library Books	-	9,104	5,252	-	3,852	1,053		(1,462)		-	10,157	6,714	-	3,443
- City Art	-	31,890	5,665	-	26,225	210		(320)		-	32,100	5,985	-	26,115
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	96,859	8,551,375	2,023,751	-	6,624,483	138,100	(5,098)	(108,231)	28,005	147,948	8,648,727	2,119,416	-	6,677,259

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$31.957M) and New Assets (\$27.138M).

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

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

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

The following information relates to the adjoining table of asset movements during the financial year:

- (1) The Capital Work in Progress "Additions" figure represents additions (reductions) to Work in Progress for the year, net of any completed works transferred to the Fixed Asset Register. Transfers to the Fixed Asset Register (when work is completed) are shown in the additions column of the respective asset classes.
- (2) The Community Land Class includes a number of Trust and Crown Reserve assets valued at \$2,347m. Ownership of these assets remains with the Commonwealth Government or Crown while Council continues to retain both operational control of the assets and responsibility for the maintenance of improvements thereon in accordance with the specified purposes for which the Crown Reserves were created. Council includes the Trust and Crown Reserve assets on the Statement of Financial Position as well as the cost of Council funded related improvements on the basis of its financial rights and responsibilities in controlling and maintaining the assets and the fact that revocation of such control by the State Government is regarded as extremely unlikely given the history of Crown Reserves. Commonwealth Government owned assets are subject to return at the end of long-term lease periods.

Reserve Trusts were created for administrative purposes under section 92 of the Crown Lands Act, 1989 ("the Act")

- (3) Refer to Note 1.9.1 - Council has elected to bring to account only land under roads acquired post 1 July 2008. The fair value of Land Under Roads acquired before 1 July 2008 is \$11,808m (2013:\$11,808m).

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment		4,660	2,497	2,163	-	4,084	1,846	2,238
Land								
- Operational Land		6,910	-	6,910	-	6,910	-	6,910
Buildings		6,592	4,945	1,647	-	6,332	4,783	1,549
Total DWM	-	18,162	7,442	10,720	-	17,326	6,629	10,697
TOTAL RESTRICTED I,PP&E	-	18,162	7,442	10,720	-	17,326	6,629	10,697

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

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

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		55,491	-	48,270	-
Payments Received In Advance		6,494	-	6,508	-
Accrued Expenses:					
- Interest on Bonds & Deposits		5	-	5	-
Performance Cash Bonds, Deposits & Retentions		11,782	-	11,162	-
Employee Related Payables		7,232	-	5,972	-
Works Received in Advance		-	-	991	-
Other		360	-	295	-
Total Payables		81,364	-	73,201	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		11,993	-	11,443	-
Sick Leave		4,231	5,520	4,167	5,768
Long Service Leave		33,328	2,282	30,340	2,401
Gratuities		411	300	413	303
Sub Total - Aggregate Employee Benefits		49,962	8,102	46,363	8,472
Self Insurance - Workers Compensation		2,854	9,985	2,151	8,467
Public Liability Insurance		150	250	150	250
Public Holidays		266	-	239	-
Asset Remediation/Restoration (Future Works)	26	-	4,000	-	4,000
Other		1,086	-	1,208	-
Total Provisions		54,318	22,337	50,111	21,188
Total Payables, Borrowings & Provisions		135,682	22,337	123,312	21,188
(i) Liabilities relating to Restricted Assets					
Externally Restricted Assets					
Domestic Waste Management		1,460	-	419	-
Works Received in Advance		-	-	991	-
Liabilities relating to externally restricted assets		1,460	-	1,410	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		1,460	-	1,410	-
Total Liabilities relating to Unrestricted Assets		134,222	22,337	121,902	21,188
TOTAL PAYABLES, BORROWINGS & PROVISIONS		135,682	22,337	123,312	21,188

¹ Loans are secured over the General Rating Income of Council

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

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	33,819	34,851
Performance Cash Bonds, Deposits & Retentions	5,958	3,716
	39,777	38,567

Note 10b. Description of and movements in Provisions

Class of Provision	2013	2014			Unused amounts reversed	Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting		
Annual Leave	11,443	11,344	(10,794)			11,993
Sick Leave	9,935	811	(994)			9,751
Long Service Leave	32,741	6,613	(3,744)			35,610
Gratuities	716	(6)	-			710
Workers Compensation	10,618	2,400	(178)			12,839
Public Liability Insurance	400	-				400
Public Holidays	239	27				266
Asset Remediation	4,000	-				4,000
Other	1,208	(122)				1,086
TOTAL	71,299	21,066	(15,710)	-	-	76,655

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10c. Defined Benefit Superannuation Disclosure

Defined Benefit Plans

A) Multi-Employer Pooled Fund

Council participates in an employer sponsored Defined Benefit Superannuation Scheme that is a multi-employer plan.

(a) Funding arrangements, including methodology to determine rate of contributions and any minimum funding requirements.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Scheme.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% of salary
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$48.7M per annum, apportioned according to each employer's share of the accumulated liabilities as at 30 June 2009. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2009.

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

(b) Extent to which Council may be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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

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

(c) Description of any agreed allocation of a deficit or surplus on:

(i) wind-up of the plan

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

(ii) entity's withdrawal from the plan

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

(d) Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan:

(i) the fact that the plan is a defined benefit plan.

Council confirms that the plan is a defined benefit plan.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10c. Defined Benefit Superannuation Disclosure

Defined Benefit Plans (continued)

(d) *Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):*

(ii) *why sufficient information is not available to enable Council to account for the plan as a defined benefit plan.*

- 1 Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- 2 The contribution rates have been the same for all sponsoring employers and have not varied for each employer according to the experience relating to the employees of that employer;
- 3 Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- 4 The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by the members). As such there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would be for a single employer sponsored defined benefit plan.

(iii) *the expected contribution to the plan for the next annual reporting period*

The expected contributions by Council to the Scheme for the next annual reporting period are \$4.424M.

(iv) *information about any deficit or surplus in the plan that may affect the amount of future contributions, including the basis used to determine that deficit or surplus and the implications, if any, for the entity.*

The estimated employer reserves financial position for the Pooled Employers at 30 June 2014 is:

<i>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets	1,603.6	
Past Service Liabilities	1,726.9	92.9%
Vested Benefits	1,758.2	91.2%

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

Investment return	7% p.a.
Salary inflation (plus promotional increases)	4.0% p.a.
CPI increase	2.5% p.a.

Council's additional contribution requirements are estimated to remain in place to 30 June 2018 and total \$8,477M.

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10c. Defined Benefit Superannuation Disclosure

Defined Benefit Plans (continued)

(d) *Further information relating to reasons for accounting for the pooled employer fund as a defined contribution plan (continued):*

(v) *an indication of the level of Council's participation in the plan compared with other participating entities.*

Council's participation in the Scheme compared with other entities is about 4.35% based on the Council's current level of annual additional contributions of \$2.119M against total contributions of \$48.7M.

B) Defined Benefit Pooled Fund

Council participates in a Pooled Fund comprising closed NSW public sector superannuation schemes.

Nature of the benefits provided by the fund.

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS)
- State Superannuation Scheme (SSS)
- State Authorities Non-contributory Superannuation Scheme (SANCS)

The schemes are all defined benefit schemes with a component of the final benefit being derived from a multiple of member salary and years of membership. Members receive lump sum or pension benefits on retirement, death, disablement or withdrawal. All the Schemes are closed to new members.

The size of the Pool Fund is significant although Council's participation therein extends to only one employee. While Council records its assets and liabilities in respect of this Pooled Fund in accordance with the requirements of *AASB 119 Employee Entitlements*, they are not material in relation to Council's total assets and liabilities. As a consequence the Defined Benefit disclosures of AASB 119 have not been included as the associated assets and liabilities are not material.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	75,400	89,447
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		75,400	89,447
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		96,742	113,848
Adjust for non cash items:			
Depreciation & Amortisation		108,231	110,378
Net Losses/(Gains) on Disposal of Assets		(4,815)	(4,822)
Non Cash Capital Grants and Contributions		(26,497)	(28,903)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(3,912)	(2,030)
- Investment Properties		(6,873)	(225)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(25,492)	(42,799)
Increase/(Decrease) in Provision for Doubtful Debts		247	4
Decrease/(Increase) in Inventories		(11)	(7)
Decrease/(Increase) in Other Assets		(150)	(97)
Increase/(Decrease) in Payables		7,221	38
Increase/(Decrease) in Other Liabilities		942	(8,200)
Increase/(Decrease) in Employee Leave Entitlements		3,229	2,268
Increase/(Decrease) in Other Provisions		2,126	(1,736)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		150,990	137,718

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
S94 Contributions "in kind"		26,497	28,903
Total Non-Cash Investing & Financing Activities		26,497	28,903
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		2,000	2,000
Credit Cards / Purchase Cards		300	300
Total Financing Arrangements		2,300	2,300
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		-	-
Total Financing Arrangements Utilised		-	-

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

2. The Corporate Purchasing Card Facility has been configured for direct payment, such that there were no outstanding balances on the cards at the end of each of the financial years.

(e) Bank Guarantees

As a workers compensation self-insurer, Council is required to lodge a bank guarantee with the Workcover Authority. At 30 June 2014, bank guarantees of \$10.411M were held by the Workcover Authority. The Authority annually reviews the actuarial assessment of potential workers compensation liability to determine the level of bank guarantees required for the future year.

(f) Net Cash Flows Attributable to Discontinued Operations

Nil

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		151	63
Plant & Equipment		7,089	8,856
Total Commitments		7,240	8,919
These expenditures are payable as follows:			
Within the next year		7,240	8,919
Total Payable		7,240	8,919
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		7,240	8,919
Total Sources of Funding		7,240	8,919

(b) Finance Lease Commitments

Nil

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(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		1,323	1,551
Later than one year and not later than 5 years		4,987	5,116
Later than 5 years		28,125	27,780
Total Non Cancellable Operating Lease Commitments		34,435	34,447

b. Non Cancellable Operating Leases include the following assets:

Operating lease commitments arise as a result of Council's commitment under a non-cancellable operating lease, being in relation to Goulburn Street Parking Station. Council has a 99 year lease arrangement to rent the airspace that the parking station exists in from the NSW TrainLink who control that asset. The commitment recognises the 46 years remaining on the lease, which is estimated at \$23.7M

The lease commitments also include duct rental payable to Energy Australia in respect of Smartpoles at \$346K per year for 30 years, indexed at an assumed CPI of 3% per annum. The agreement to 2032 results in a total commitment of \$10.7M

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

Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:

Contractual Obligations - Repairs & Maintenance	820	780
Total Commitments	820	780
These expenditures are payable as follows:		
Within the next year	820	780
Total Payable	820	780

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(641)	-0.13%	2.12%	11.53%
Total continuing operating revenue ⁽¹⁾	500,097			
(excl. Capital Grants & Contributions)				
1a. Operating Performance Ratio (excluding non-recurrent capital expenditure from operating expenses)				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	21,969	4.35%	7.56%	12.74%
Total continuing operating revenue ⁽¹⁾	504,912			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(less ALL Grants & Contributions)	489,119	84.06%	81.53%	88.77%
Total continuing operating revenue ⁽¹⁾	581,882			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	334,066	3.54 : 1	4.07	3.41
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	94,445			
3a. Unrestricted Current Ratio (less External and Internal restrictions)				
Current Assets less all External + Internal Restrictions ⁽²⁾	131,787	1.65 : 1	1.71	2.03
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	79,659			
4. Rates, Annual Charges, Interest &				
Extra Charges Outstanding Percentage (incl. significant rates claim recovered post 30/6/2014)				
Rates, Annual and Extra Charges Outstanding ⁽⁵⁾	19,769	6.65%	5.75%	1.73%
Rates, Annual and Extra Charges Collectible	297,072			
4a. Rates, Annual Charges, Interest &				
Extra Charges Outstanding Percentage (excl. significant rates claim recovered post 30/6/2014)				
Rates, Annual and Extra Charges Outstanding ⁽⁵⁾	4,194	1.41%	1.78%	1.73%
Rates, Annual and Extra Charges Collectible	297,072			
5. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents				
including All Term Deposits	367,399	10.45	10.10	8.95
Payments from cash flow of operating and	35,160			
financing activities				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽³⁾ Refer to Note 10(a).

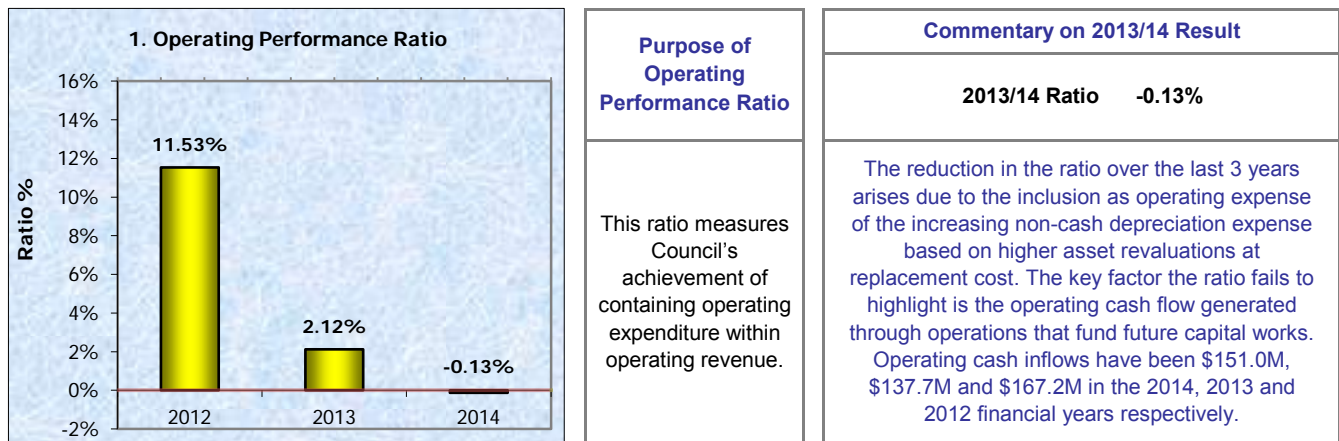
⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁵⁾ The different ratios are inclusive and exclusive respectively of disputed Barangaroo Development Authority rates paid in July 2014.

City of Sydney

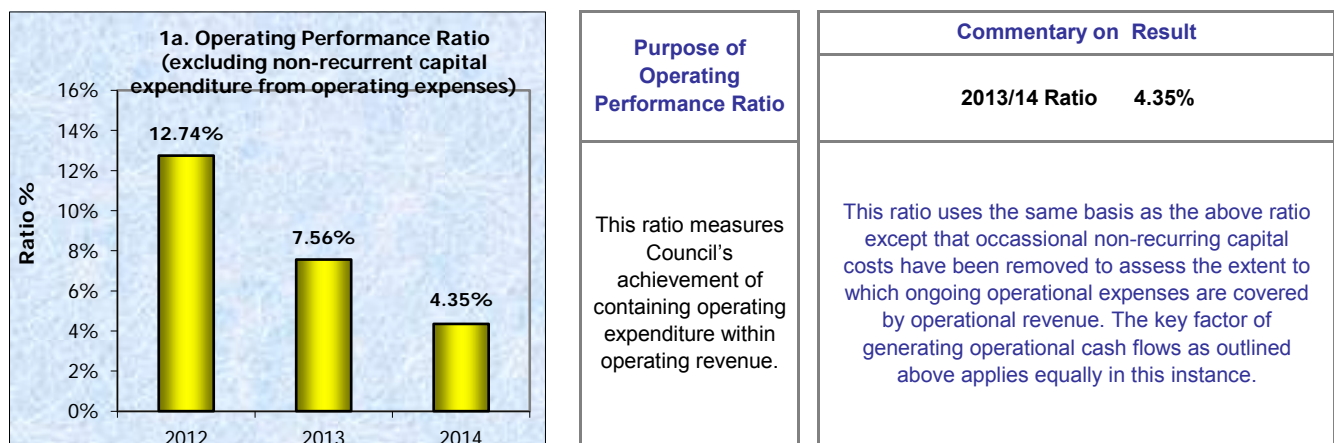
Notes to the Financial Statements
for the financial year ended 30 June 2014

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



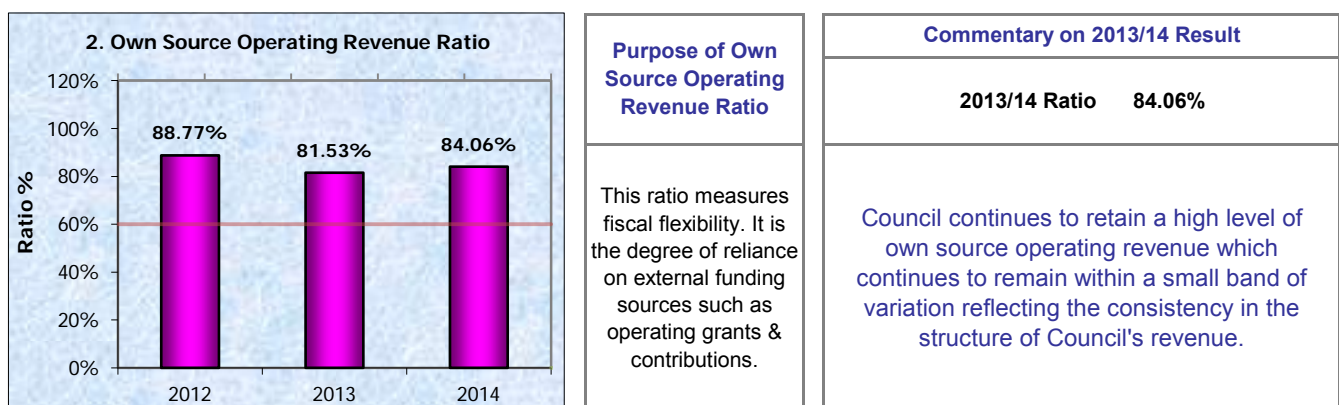
— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



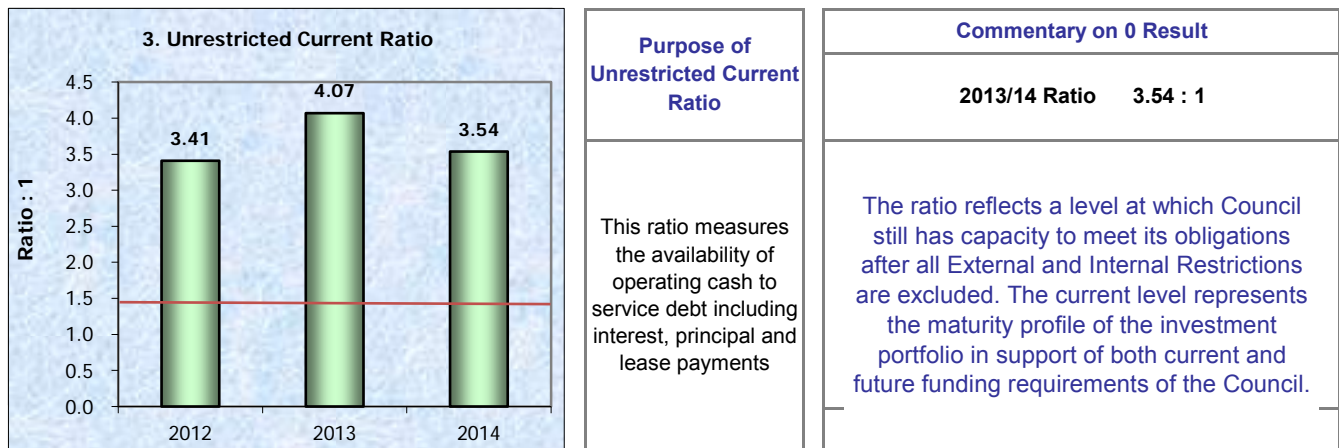
— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting

City of Sydney

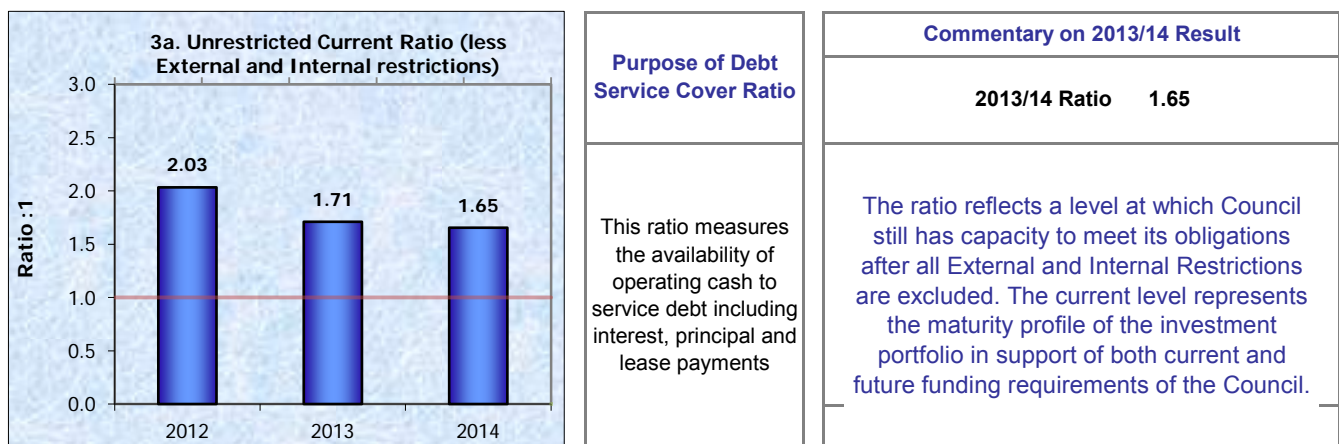
Notes to the Financial Statements for the financial year ended 30 June 2014

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



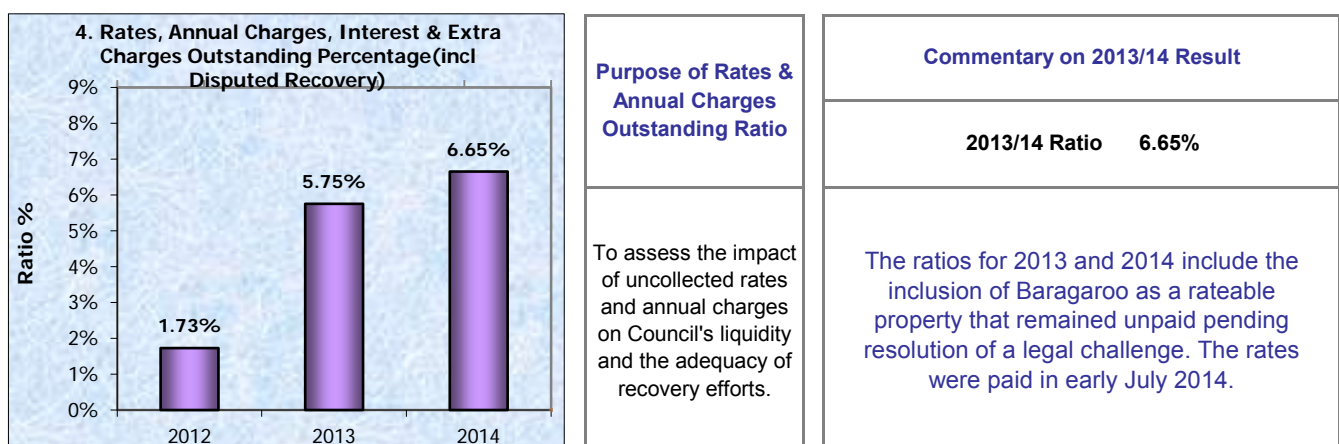
— Minimum 1.5

Source for Benchmark: Code of Accounting Practice and Financial Reporting



— Minimum 1.0

Source for Benchmark: NSW Treasury Corporation

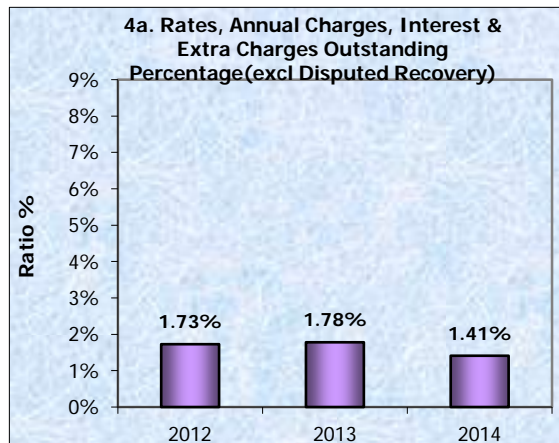


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Notes to the Financial Statements

for the financial year ended 30 June 2014

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



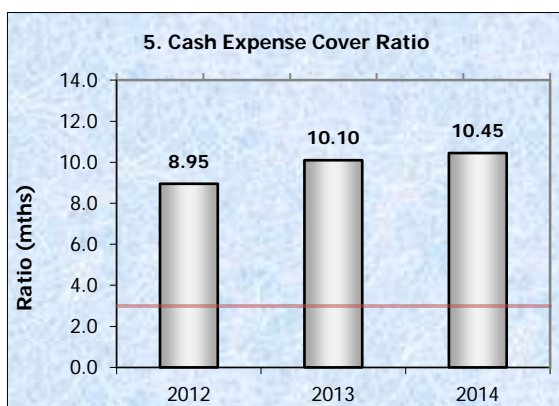
Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on Result

2013/14 Ratio 1.41%

The ratios reflect each of the years without the Barangaroo rateable property. (The settlement occurred subsequent to 30 June 2014).



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 Result

2013/14 Ratio 10.45

The increased ratio reflects increased capital contributions in the last two years to be expended on infrastructure developments in Green Square and Harold Park

— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
(a) Investment Properties at Fair value			
Investment Properties on Hand		201,430	194,005
Reconciliation of Annual Movement:			
Opening Balance		194,005	211,350
- Capitalised Expenditure - this year		552	4,387
- Acquisitions (Transfers) through Amalgamations		-	(21,957)
- Net Gain/(Loss) from Fair Value Adjustments		6,873	225
CLOSING BALANCE - INVESTMENT PROPERTIES		201,430	194,005

(b) Valuation Basis

The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2014 revaluations were based on Independent Assessments made by:
AON Valuation Services (A division of AON Risk Services Australia Limited)
Certifying Valuer : Jeffrey Millar, AAPI

(c) Contractual Obligations at Reporting Date

Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.

(d) Leasing Arrangements

Details of leased Investment Properties are as follows;

Future Minimum Lease Payments receivable under non-cancellable
Investment Property Operating Leases not recognised in the
Financial Statements are receivable as follows:

Within 1 year	13,513	10,177
Later than 1 year but less than 5 years	38,455	21,111
Later than 5 years	16,009	11,344
Total Minimum Lease Payments Receivable	67,977	42,632

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	14,661	12,283
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(2,592)	(2,730)
Net Revenue Contribution from Investment Properties	12,069	9,553
plus:		
Fair Value Movement for year	6,873	225
Total Income attributable to Investment Properties	18,942	9,778

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

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

Financial risk management is carried out by Council's Chief Finance Office under policies approved by the Council.

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	75,400	89,447	75,400	89,447
Investments				
- "Held for Trading"	-	-	-	-
- "Designated At Fair Value on Initial Recognition"	199,020	168,314	199,020	168,314
- "Held to Maturity"	292,000	256,000	292,000	256,000
- "Loans & Receivables"	-	-	-	-
- "Available for Sale"	-	-	-	-
Receivables	115,711	90,467	115,711	90,467
Other Financial Assets	-	-	-	-
Total Financial Assets	682,130	604,228	682,130	604,228
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	74,871	66,693	74,871	66,693
Loans / Advances	-	-	-	-
Lease Liabilities	-	-	-	-
Other Financial Liabilities	-	-	-	-
Total Financial Liabilities	74,871	66,693	74,871	66,693

Fair Value is determined as follows:

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

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

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

Cash and Investments are subject to the following risks:

- **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 manages these risks as follows:

- Price risk is managed by ensuring that liquidity requirements are adequately sourced from short-term investments that are not subject to price risk and that sales of higher yielding investments which are subject to price risk are confined to either face value maturities or sales during periods of favourable price movements.
- Interest rate risks are managed by linking returns where possible to rates based around benchmark indices and by managing investment maturity profiles.
- Credit risk is managed by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks where necessary advice from independent advisors before placing selected investments.

Council also seeks advice from independent advisors when necessary.

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.

	2014		2013	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	19,902	19,902	16,443	16,443
Possible impact of a 1% movement in Interest Rates	5,571	5,571	5,086	5,086

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

The level of outstanding receivables is monitored for acceptable collection performance.

Credit risk on infringement notices is minimised by assigning the recovery of these amounts to the State Debt Recovery Office. These receivables are subject to defence, credit checks and individual assessment of impairment are not possible, so these recoverable amounts are based on historic recovery rates.

With the exception of a small number of property tenants, there are no other 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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	95%	0%	95%
Past due by more than 1 year	100%	5%	100%	5%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	0	94,088	-	75,327
Past due by up to 30 days	-	426	-	334
Past due between 31 and 60 days	-	202	-	158
Past due between 61 and 90 days	-	-	-	-
Past due by more than 90 days	19,801	366	15,261	287
	19,801	95,082	15,261	76,106
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			900	896
+ new provisions recognised during the year			294	127
- amounts already provided for & written off this year			(47)	(123)
Balance at the end of the year			1,147	900

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	11,782	63,089						74,871	74,871
2013									
Trade/Other Payables	12,153	54,541	-	-	-	-	-	66,693	66,693

The above payables are not subject to interest rates.

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 2013/14 was adopted by the Council on 24 June 2013.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 Variance* -----	
REVENUES				
Interest & Investment Revenue	16,800	27,412	10,612	63% F
Interest and Investment revenues have exceeded budget due to the balance of cash reserves exceeding anticipated levels. This was due to a combination of factors including higher than anticipated opening cash balances and capital contributions, lower than anticipated capital expenditure and a \$2.7M recovery of a structured investment that had been adversely impacted by the Global Financial Crisis.				
Operating Grants & Contributions	14,300	10,978	(3,322)	(23%) U
Operating grants and contributions are below budget mainly as a result of the Federal Government paying the 2014 Federal Financial Assistance Grants in advance during the 2013 Federal Budget year. Council budgeted to receive the grant in the 2014 financial year. The difference is due to timing and is not a revenue shortfall.				
Capital Grants & Contributions	22,000	81,784	59,784	272% F
Developer and Planning Agreement contributions are driven by economic conditions and activities were higher than anticipated in the financial year, especially with developments around Harold Park and Green Square.				
Net Gains from Disposal of Assets	-	4,815	4,815	0% F
Gains from assets disposals are not budgeted due to the uncertainty relating to anticipated recovery prices.				

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 Variance*	
EXPENSES				
Materials & Contracts	90,100	105,350	(15,250)	(17%) U
Materials and contracts expenses are higher than budget due to higher levels of expenditure on improvements to road and traffic accessories and CBD and Green Square infrastructure replacement that did not meet capitalisation requirements. In addition, a parcel of contributed public artwork was expensed as a public benefit and not capitalised since it did not meet the control requirements for asset capitalisation.				
Other Expenses	104,100	92,525	11,575	11% F
Other expenses are less than budget due to a combination of lower than expected contingency expenses, reduced sponsorship and event costs and lower infringement processing expenses.				

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	8,152	4,113	2,943	345	(2,608)	-	12,945	35,978	(48,923)	-	-
Traffic Facilities	1,470	309	-	60	(200)	-	1,639	163	(1,802)	-	-
Open Space	26,807	24,578	735	940	(29,603)	-	23,457	123,663	(147,120)	-	-
Community Facilities	28,013	4,419	-	1,157	(976)	-	32,613	25,332	(57,945)	-	-
Other	2,103	286	-	88	-	-	2,477	592	(3,069)	-	-
S94 Contributions - under a Plan	66,545	33,705	3,678	2,590	(33,387)	-	73,131	185,728	(258,859)	-	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	66,545	33,705	3,678	2,590	(33,387)	-	73,131				-
S94 not under Plans	1,642	1	-	65	-	-	1,708	-	(1,708)	-	-
S93F Planning Agreements	40,923	6,395	20,447	594	(2,230)		66,129		(66,129)		
Bonus Floor Space Contributions	20,018		2,372	106	(2,674)		19,822		(19,822)		
S61 Contributions	-	10,229			(10,229)		-				
Total Contributions	129,128	50,330	26,497	3,355	(48,520)	-	160,790	185,728	(346,518)	-	-
Comprising : Cash	82,224						92,935				
Receivables	46,904						67,841				
Total Contributions	129,128						160,776				

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN - WALSH BAY

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	19			1			20	-	(20)	-	
Other	66			3			69	-	(69)	-	
Total	85	-	-	4	-	-	89	-	(89)	-	-

CONTRIBUTION PLAN - CITY OF SYDNEY (2006)

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	8,152	4,113	2,943	345	(2,608)		12,945	35,978	(48,923)	-	
Traffic Facilities	1,451	309		59	(200)		1,619	163	(1,782)	-	
Open Space	26,807	24,578	735	940	(29,603)		23,457	123,663	(147,120)	-	
Community Facilities	28,013	4,419		1,157	(976)		32,613	25,332	(57,945)	-	
Other	2,037	286		85			2,408	592	(3,000)	-	
Total	66,460	33,705	3,678	2,586	(33,387)	-	73,042	185,728	(258,770)	-	-

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	74			3			77	-	(77)	-	
Parking	733			29			762	-	(762)	-	
Other	835	1		33			869	-	(869)	-	
Total	1,642	1	-	65	-	-	1,708	-	(1,708)	-	-

S94 CONTRIBUTIONS - EXECUTED THROUGH AGREEMENT WITH THIRD PARTY

CONTRIBUTION PLAN - ULTIMO-PYRMONT

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Forwarded to SHFA	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	-						-		(1,000)	(1,000)	
Open Space	-	265			(265)		-			-	
Total	-	265	-	-	(265)	-	-	-	(1,000)	(1,000)	-

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

The Ultimo- Pyrmont Section 94 Contributions Plan 1994 ("the Plan") represents a schedule of public facilities which are required as a consequence of anticipated infrastructure demands generated by new residential, employment and hospitality development to be undertaken in the Ultimo- Pyrmont area. The significant costs of the provision of these public facilities were to be in part met and/or recouped from new development in the Ultimo- Pyrmont area. The "cost" of works detailed within the Plan is, in fact, representative of the extent to which contributions may be used to fund the works. The value of works completed and land dedicated may in turn exceed the value nominated within the Plan. However, they may only be funded by developer contributions to the extent of that nominated value.

In accordance with the Ultimo Pyrmont Public Amenities and Services Agreement ("the Agreement") signed on 23rd December 1994 by Sydney City Council (now known as the City of Sydney) and City West Development Corporation (since conglomerated into the Sydney Harbour Foreshore Authority), it was agreed that the Sydney Harbour Foreshore Authority (SHFA) take responsibility for the delivery of \$120M of the \$143M of works identified under the Ultimo-Pyrmont Section 94 Contributions Plan 1994.

In providing the works identified within the Plan, the majority of projects were completed - and assets delivered - in the early years of the Plan's existence. To date, based on a combination of City of Sydney data and information provided by SHFA, approximately \$132M of land and works recoverable under the Plan has been delivered (based on the values assigned to identified land and works under the Plan). These works are still under recoupment in terms of contributions received.

The anticipated funding for the works was to come from grants received under the Building Better Cities program (approximately \$26.5M), with the balance as Section 94 contributions levied on developments. The Agreement requires that contributions levied and received by the City of Sydney are to be forwarded to SHFA. Based on information from SHFA last updated as at 31 December 2007, approximately \$55M in Section 94 cash contributions have been collected to date. Additionally approximately \$16M of the \$132M identified works have been delivered as land dedications and works in kind contributions. In regards to the information detailed in the above table, the "Expenditure Still Outstanding" represents works identified in the Plan (and also described as "Council Work" in the Agreement), that have not yet been delivered. This total in no way represents an obligation on the part of the City of Sydney to deliver the works. As detailed above, the Plan continues to operate on a recoupment basis at present, with the overall attributed value of works delivered still exceeding the value of funding received to date. The extent to which the outstanding works are delivered may be dependent upon the extent to which future development takes place (and therefore what volume of additional funding is received through Section 94 contributions levied).

The Plan as a whole, and also the Agreement are presently subject to review by both SHFA and Council, with a view to updating the documents to reflect not only changes to the identified infrastructure requirements of the Ultimo-Pyrmont area and expected development activity therein, but also to incorporate recent changes to state planning legislation, where applicable.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

1. Potential benefits to Council

- (i) In accordance with a deed of agreement signed with a developer, Council is entitled to acquire a site from a developer at no cost to Council. The site is a fully remediated park with enhancements, estimated to be worth more than \$5M.
- (ii) Council is pursuing its legal rights to income in relation to the agreed placement of the operational assets of third parties on Council owned property. The amount is not quantifiable.

2. Self insurance – Workers Compensation

Council has decided, on the basis of proper risk management practices, to carry its own insurance in regard to worker's compensation. A provision for self insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10.

As a self-insurer, Council is required to lodge a bank guarantee with the Workcover Authority. At 30 June 2014, bank guarantees of \$10.411M were held by the Workcover Authority, and the Authority is currently reviewing whether any additional assurance is required.

All other insurance risks, including workers compensation claims above \$750,000, are covered by external companies.

3. Superannuation – Defined Benefits Schemes

Council makes employer contributions to the defined benefits categories of the Scheme at rates determined by the Scheme's Trustee. Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefit, as defined in the Trust Deed, as they accrue.

Council has an ongoing obligation to share in the future rights and liabilities of the Scheme. Favourable or unfavourable variations may arise should the financial requirements of the Scheme differ from the assumptions made by the Scheme's actuary in estimating the accrued benefits liability.

4. Proposed Land Transfers between Sydney Harbour Foreshore Authority (SHFA) and Council

Council has agreed to proceed with the transfer of public assets from SHFA in Pyrmont. The completion of these transfers is subject to the fulfilment of specific conditions. The value of these assets cannot be quantified at this time, as they are subject to assessment of age and condition at the time of transfer.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

5. S94 Plans and Planning Agreements

Council levies Section 94/94A Contributions upon various developments across the Council area through the required Contributions Plans, for which it will be required to expend monies to fulfil.

The Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years. These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

Planning Agreements may also make provision for the future delivery of assets to Council for dedication as community assets. The delivery of these assets remains contingent upon the developers actioning consent and they are not raised as receivable assets until all contingencies expire.

6. Infringement Notices/Fines

Fines & Penalty Income, as a result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office.

Council's Revenue Recognition policy for such income is to account for it as revenue when the penalty is applied to the extent of expected recovery rates that are determined in accordance with past experience.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid Infringement Notices that are in excess of the accrued revenue recognised in the accounts.

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

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

City of Sydney

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		2,843,320	2,776,066
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	(46,593)
d. Net Operating Result for the Year		96,742	113,848
e. Distributions to/(Contributions from) Non-controlling Interests		-	-
f. Transfers between Equity		-	-
Balance at End of the Reporting Period		2,940,063	2,843,321
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		2,121,657	2,093,652
- Trust Asset Revaluation Reserve		2,346,537	2,346,537
Total		4,468,194	4,440,189
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		2,093,652	2,081,681
- Revaluations for the year	9(a)	28,005	-
- Transfer to Trust Asset Revaluation Reserve		-	11,971
- Balance at End of Year		2,121,657	2,093,652
Trust Asset Revaluation Reserve			
- Opening Balance		2,346,537	2,311,915
- Transfers from the I,P,P&E Revaluation Reserve		-	(11,971)
- Transfers from Retained Earnings	20(c)	-	46,593
- Balance at End of Year		2,346,537	2,346,537
TOTAL VALUE OF RESERVES		4,468,194	4,440,189

(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

Trust Asset Revaluation Reserve

- The Trust Assets Revaluation Reserve represents the total fair value of trust land assets (such as Crown Reserve Trusts) that have come under the management control of Council at no acquisition cost and which have subsequently been revalued to fair value on the replacement cost basis. These assets are owned by State and Federal entities and are effectively controlled by the City as custodians or Reserve Trust manager.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Change to classification of building

Transfer of Customs House equity balance to Trust Assets Reserve

Council implemented the following change in the year ending 30 June 2013:

Council includes in the Trust Asset Revaluation Reserve an amount equal to the fair value of trust assets that come under the management control of Council and which are not owned by Council. Council maintains and preserves these assets for the enduring benefit of the community.

Customs House is owned by the Commonwealth Government and is leased to Council under conditions that ensure minimum thresholds in respect of use as a community asset as well as the preservation of the asset. Council has historically accounted for the asset as a leased asset whose benefits are operationally consumed over the life of the lease.

With effect from 1 July 2012, Council changed its Accounting Policy in relation to the treatment of this asset to align it with Council's other assets under management control which are not owned. The change enabled more relevant accounting disclosure of the asset to recognise the preservation activities of the asset in addition to the operational consumption over the life of the asset.

The financial impact of the change in policy on the financial position of Council was neutral and involved equal and opposite transfers of the existing equity relating to Customs House between Retained Surplus and the Asset Revaluation Reserve to the Trust Asset Revaluation Reserve.

The transfers were as follows:

- Transfer from Retained Surplus to Trust Asset Revaluation Reserve	-	(46,593)
- Transfer of accumulated revaluation deficit from Asset Revaluation Reserve to Trust Asset Revaluation Reserve	-	11,971
- Transfer to Trust Asset Revaluation Reserve of the net effect of the above	-	34,622
Net total transfers	-	-

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

\$ '000

Income Statement by Fund	Actual	Actual	Actual	Actual
\$ '000	2014	2014	2014	2014

Council utilises only a General Fund for its operations.

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

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

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2014) 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 3 November 2014.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 24. Discontinued Operations

\$ '000

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

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 25. Intangible Assets

	Actual	Actual
\$ '000	2014	2013

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

City of Sydney

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Site Remediation

Council has implemented a Remediation Action Plan (RAP) in respect of a former Council depot at Fig and Wattle Streets, Pyrmont.

The estimated cost of the remediation is \$4.0M based on the requirements of the RAP

	2014	2013
Reconciliation of movement in Provision for year:		
Total - Reinstatement, rehabilitation and restoration provision	4,000	4,000

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

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

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

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

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

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

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

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

Fair Value Measurements		Fair Value Measurement Hierarchy			Total
	Date of latest Valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
2014					
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/2014	199,020			199,020
Total Financial Assets		199,020	-	-	199,020
Investment Properties					
Investment property portfolio	30/06/2014			201,430	201,430
Total Investment Properties		-	-	201,430	201,430
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/2013			33,336	33,336
Office Equipment	30/06/2013			12,888	12,888
Furniture & Fittings	30/06/2013			9,501	9,501
Operational Land	30/06/2012			533,054	533,054
Community Land	30/06/2011			3,784,121	3,784,121
Land under Roads (post 30/6/08)	30/06/2014			69,530	69,530
Land Improvements - depreciable	30/06/2011			214,410	214,410
Buildings - Non Specialised	30/06/2012			711,030	711,030
Buildings - Specialised	30/06/2012			19,097	19,097
Other Structures - Trees	30/06/2012			86,556	86,556
Other Structures - Signs	30/06/2012			8,821	8,821
Other Structures - Poles and Lights	30/06/2012			311	311
Roads, Bridges, Footpaths	30/06/2012			861,261	861,261
Stormwater Drainage	30/06/2012			149,280	149,280
Heritage Collections	30/06/2011			6,557	6,557
Library Books	30/06/2011			3,443	3,443
City Art	30/06/2011			26,115	26,115
Total Infrastructure, Property, Plant & Equipment*		-	-	6,529,311	6,529,311

*Infrastructure, Property, Plant & Equipment totals exclude Work-in-progress \$147,948 (2013:\$96,859)

The carrying amounts of Investments-Held to Maturity (comprising term deposits), Receivables and Payables are considered to be a reasonable approximation of fair value and have therefore been excluded from the fair value disclosures in accordance with paragraph 29 of AASB 7 *Financial Instruments: Disclosures*.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

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

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Investment Properties

Fair value of investment properties is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal adopted the *capitalised income approach* as the valuation methodology whereby a yield is applied to the property's income to assess its value. The yield applied to the rental return is based on analysis of sales and or leasing data and is calculated by dividing the rental return from comparable sales against sale price (initial yield). Where analysis indicated that income from a sale property was not at market levels at the time of sale, the income was adjusted to reflect market returns.

Infrastructure, Property, Plant & Equipment

Asset classes : Plant & Equipment, Office Equipment, Furniture & Fittings and Library Resources

Fair value of these asset classes is estimated based on depreciated original cost representing fair value. The assets are primarily for operational purposes and are not of a nature where valuation increments are likely. The fair value is adjusted by depreciation representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

Asset classes : Operational Land

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal adopted the *direct comparison approach* whereby evidence derived from the analysis of recent sales of similar properties is used to establish the value of the subject property. Comparisons to the subject property were made on the basis of quality, age, condition and size of improvements, location, land area and shape. Sales were analysed on a sales price per square metre of land area and adjusted accordingly to reflect any character differences between the subject and comparable sales data.

Asset classes : Non-Specialised Buildings

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal identified assets having the capability to be compared to open market conditions and adopted the *capitalised income approach* as the valuation methodology whereby a yield is applied to the property's income (actual or assumed) to assess its value. The yield applied to the potential rental return is based on analysis of sales and or leasing data and is calculated by dividing the rental return from comparable sales against sale price (initial yield). Where analysis indicated that income from a sale property was not at market levels at the time of sale, the income was adjusted to reflect market returns.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Asset classes : Specialised Buildings

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified property valuer. The appraisal determined the value of the buildings and site improvements by establishing the estimated replacement cost with a new asset less depreciation for *physical, functional* and *economic* obsolescence. The three forms of obsolescence are described as follows:

- *Physical obsolescence* - the loss in value resulting from the consumption of the useful life or service potential of a building caused by wear and tear, deterioration, exposure to various elements, physical stresses and similar factors.
- *Functional obsolescence* - the loss in value resulting from inefficiencies in the subject building compared to a more efficient or less costly alternative. Such excess operating costs and or excess capital costs can be used to measure the extent of functional obsolescence.
- *Economic obsolescence* - the loss in value resulting from factors external to the asset itself. Such factors often relate to the economics of the industry in which the assets operate. New legislation or fears or risks of such new legislation may also contribute to economic obsolescence.

Asset classes : Heritage Collections and City Art

Fair value of this asset class is estimated based on appraisals performed by an independent and professionally qualified valuer. The appraisal adopted the *direct comparison approach* whereby evidence derived from the analysis of recent sales of or costs to commission similar assets is used to establish the value of the subject asset.

Asset classes : Roads, Bridges, Footpaths, Stormwater Drainage, Landhold improvement-depreciable, Trees, Signs and Poles and Lights

Fair value of these asset classes is determined on the depreciated replacement cost approach based on replacement costs determined under current third party asset replacement contracts. The fair value is adjusted by depreciation representing the wear and tear of the assets based on the estimated useful life of the asset. The valuation process is conducted by Council staff.

Asset classes : Community Land and Land Under Roads (post 30/06/2008)

Fair value of these asset classes is determined on the deprival cost approach representing replacement cost. Deprival costs are determined based on the latest NSW Valuer-General valuations for surrounding properties. The average square metre value of the surrounding properties is applied to the square metre area of the subject assets to determine their deprival value. The valuation process is conducted by Council staff.

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

a. Changes in Level 3 Fair Value Asset Classes during the year are disclosed in the following Notes:

- *Investment Properties* - Refer Note 14
- All other asset classes shown under *Infrastructure, Property, Plant and Equipment* - Refer Note 9(a)

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

No transfers were made in or out of the Level 3 Fair Valuation hierarchy during the year.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Unobservable valuation inputs are disclosed in the note relating to Valuation techniques in Note 27.

d. The Valuation Process for Level 3 Fair Value Measurements

Valuation processes are disclosed in the note relating to Valuation techniques in Note 27.

(5). Highest and best use

The following non financial assets of Council are being utilised for purposes that do not generate commercial revenues:

Community based assets.

Council undertakes a number of services with a strong focus of providing community benefits to its constituents. These services are based meeting essential community needs and are not of a nature that would be provided in a commercially competitive environment.

Land under the asset class Community Land comprises Crown land under Council's care and control as well as Council-owned land that has been classified as community land under the provisions of the Local Government Act 1993. Furthermore, Council has a number of buildings that are applied in delivering community services. The restrictions on the land and the community use of the buildings in delivering community based services is considered to be the 'highest and best use' of those assets to Councils.



City of Sydney Council

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

Report on the financial statements

We have audited the accompany financial statements of City of Sydney Council, which comprise the statement of financial position as at 30 June 2014 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written over a faint, larger version of the same signature.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', written over a faint, larger version of the same signature.

Peter Buchholz
Partner

Sydney
4 November 2014

CITY OF SYDNEY

Special Purpose Financial Statements

For the year ended 30 June 2014



City of Sydney

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5-6
4. Auditor's Report	

Background

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

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

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

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

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

City of Sydney

Special Purpose Financial Statements for the financial year ended 30 June 2014

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

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

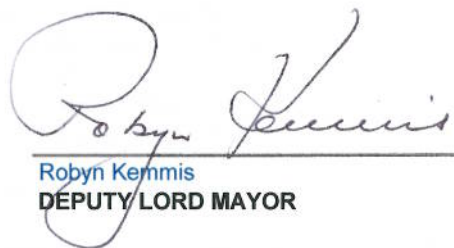
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 3 November 2014.



Clover Moore
LORD MAYOR



Robyn Kennis
DEPUTY LORD MAYOR



Monica Barone
CHIEF EXECUTIVE OFFICER



Bill Carter
CHIEF FINANCIAL OFFICER

City of Sydney

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Parking Stations

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
User charges	9,262	8,743
Total income from continuing operations	9,262	8,743
Expenses from continuing operations		
Employee benefits and on-costs	149	210
Materials and contracts	1,524	1,369
Depreciation and impairment	1,301	1,458
Calculated taxation equivalents	65	48
Other expenses	1,371	1,300
Total expenses from continuing operations	4,410	4,384
Surplus (deficit) from Continuing Operations before capital amounts	4,852	4,359
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	4,852	4,359
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	4,852	4,359
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,456)	(1,308)
SURPLUS (DEFICIT) AFTER TAX	3,396	3,051
plus Opening Retained Profits	61,334	56,927
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (details here...)	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	65	48
- Debt guarantee fees	-	-
- Corporate taxation equivalent	1,456	1,308
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	66,251	61,334
Return on Capital %	12.6%	11.0%
Subsidy from Council	-	-
Calculation of dividend payable:		
Surplus (deficit) after tax	3,396	3,051
less: Capital grants and contributions (excluding developer contributions)	-	-
Surplus for dividend calculation purposes	3,396	3,051
Potential Dividend calculated from surplus	1,698	1,526

City of Sydney

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Parking Stations

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Receivables	195	179
Total Current Assets	195	179
Non-Current Assets		
Infrastructure, property, plant and equipment	38,410	39,782
Inter-Entity Debtor	52,065	45,791
Total non-Current Assets	90,475	85,573
TOTAL ASSETS	90,670	85,752
LIABILITIES		
Current Liabilities		
Payables	705	679
Provisions	48	65
Total Current Liabilities	753	744
Non-Current Liabilities		
Provisions	15	23
Total Non-Current Liabilities	15	23
TOTAL LIABILITIES	768	767
NET ASSETS	89,902	84,985
EQUITY		
Retained earnings	66,251	61,334
Revaluation reserves	23,651	23,651
TOTAL EQUITY	89,902	84,985

CITY OF SYDNEY

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2014

Note 1 Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the SPFR for National Competition Policy reporting purposes follows.

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government. For the purposes of these statements, the Council is not a reporting entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretations. The disclosures in these special purpose financial statements have been prepared in accordance with the Local Government Act and Regulation and the Local Government Code of Accounting Practice and Financial Reporting.

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

National competition policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 Government Policy statement on the '*Application of National Competition Policy to Local Government*'. The '*Pricing & Costing for Council Businesses A Guide to Competitive Neutrality*' issued by the Department of Local Government in July 1997 has also been adopted.

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

Declared business activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared in its 2013-14 Operational Plan that the following are to be considered as business activities:

Category 1

Name	Brief Description of Activity
Parking Stations	Operation of the Goulburn Street and Kings Cross Parking Stations

Monetary amounts

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

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (Special Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. 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 Tax Rate	30% applicable on surplus
Land Tax	\$100 for \$406K + 1.6% on \$406K to \$2,519,000 + 2% on taxable values above \$2,519,000
Payroll Tax	5.45% (\$750K threshold applied)

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

Note 1 - Significant Accounting Policies (continued)

Income tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Income Tax is only applied where a positive gain/(loss) from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional, that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the GPFR. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government rates and charges

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

(ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income statement of Business Activities.

(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".

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income statement.

The Calculation of Return on Capital is as follows:

Surplus/(Deficit) from continuing operations before Capital amounts + Interest expense
Total Written Down Value of Property, Plant and Equipment

(iv) Dividends

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

END OF AUDITED FINANCIAL REPORT



City of Sydney Council

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

Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of City of Sydney Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2014, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2014.

Councillors' responsibility for the financial report

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

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

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 report presents fairly, in all material respects, the financial position by Business Activities of City of Sydney Council as of 30 June 2014 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, 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 report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council.

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

PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
4 November 2014

CITY OF SYDNEY

Special Schedules

For the year ended 30 June 2014



City of Sydney

Special Schedules

for the financial year ended 30 June 2014

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- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	N/A
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- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	N/A
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

City of Sydney

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	5,756	-	-	(5,756)
Administration	202,534	32,918	3,756	(165,860)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	11	-	-	(11)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	22,991	33,441	-	10,450
Animal Control	-	-	-	-
Other	5,546	30	-	(5,516)
Total Public Order & Safety	28,548	33,471	-	4,923
Health	13,110	7,208	-	(5,902)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	3,726	459	500	(2,767)
Solid Waste Management	27,558	392	-	(27,166)
Street Cleaning	22,862	159	-	(22,703)
Drainage	1,030	-	-	(1,030)
Stormwater Management	-	-	-	-
Total Environment	55,176	1,010	500	(53,666)
Community Services and Education				
Administration & Education	3,001	40	-	(2,961)
Social Protection (Welfare)	3,782	653	-	(3,129)
Aged Persons and Disabled	2,657	1,348	-	(1,309)
Children's Services	6,383	3,415	-	(2,968)
Total Community Services & Education	15,823	5,456	-	(10,367)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	9,743	6,584	130	(3,029)
Town Planning	24,047	6,087	76,828	58,868
Other Community Amenities	1,760	1	-	(1,759)
Total Housing and Community Amenities	35,550	12,672	76,958	54,080
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

City of Sydney

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

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	7,104	741	-	(6,363)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	3,479	1,056	-	(2,423)
Performing Arts Venues	715	207	-	(508)
Other Performing Arts	-	-	-	-
Other Cultural Services	28,707	886	-	(27,821)
Sporting Grounds and Venues	-	-	-	-
Swimming Pools	1,183	2,607	-	1,424
Parks & Gardens (Lakes)	24,470	44	-	(24,426)
Other Sport and Recreation	2,758	1,168	-	(1,590)
Total Recreation and Culture	68,416	6,709	-	(61,707)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	16,754	6,560	674	(9,520)
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	9,481	45,041	-	35,560
Footpaths	4,259	718	-	(3,541)
Aerodromes	-	-	-	-
Other Transport & Communication	7,135	7,161	443	469
Total Transport and Communication	37,629	59,480	1,117	22,968
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	38,196	64,168	-	25,972
Total Economic Affairs	38,196	64,168	-	25,972
Totals – Functions	500,738	223,092	82,331	(195,315)
General Purpose Revenues ⁽²⁾		292,058		292,058
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	500,738	515,150	82,331	96,743

(1) As reported in the Income Statement

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

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Replacement Cost (RC) ⁽⁴⁾	Assets in Condition as a % of RC ^{(4), (5)}				
						1	2	3	4	5
Buildings										
	Commercial	16,984	5,038	5,421	884,699	0%	19%	79%	0%	1%
	Community	33,047	8,754	7,748	502,501	10%	60%	26%	3%	1%
	Operational	6,847	3,527	3,437	242,649	0%	66%	26%	9%	0%
	sub total	56,878	17,319	16,606	1,629,849	3.2%	38.7%	54.9%	2.2%	0.0%
Drainage Works										
	Stormwater Drainage Network	2,844	1,250	1,200	246,344	8%	91%	1%	0%	0%
	sub total	2,844	1,250	1,200	246,344	7.6%	91.0%	1.0%	0.0%	0.0%
Roads										
	Sealed Roads	340	2,290	1,714	146,570	23%	73%	3%	1%	0%
	Sealed Roads Structure	548	350	123	780,361	19%	77%	3%	1%	0%
	Bridges	2,000	175	50	154,693	31%	67%	2%	0%	0%
	Footpaths	2,436	3,924	4,201	357,369	2%	43%	49%	5%	0%
	Kerb and Gutter	1,573	658	873	257,201	1%	13%	70%	16%	1%
	Other				-					
	sub total	6,897	7,397	6,961	1,696,194	14.0%	59.0%	22.8%	3.7%	0.0%
	TOTAL - ALL ASSETS	66,619	25,966	24,767	3,572,387	8.7%	51.9%	36.0%	2.8%	0.0%

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2014

Notes:

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

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

City of Sydney

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 20132012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	59,095	80.35%	65.88%	88.75%
Depreciation, Amortisation & Impairment	73,546			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	66,619	0.02	0.02	0.03
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	3,572,386			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	24,767	0.95	0.80	0.93
Required Asset Maintenance	25,966			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	138,100	1.28	1.78	1.25
Annual Depreciation	108,231			

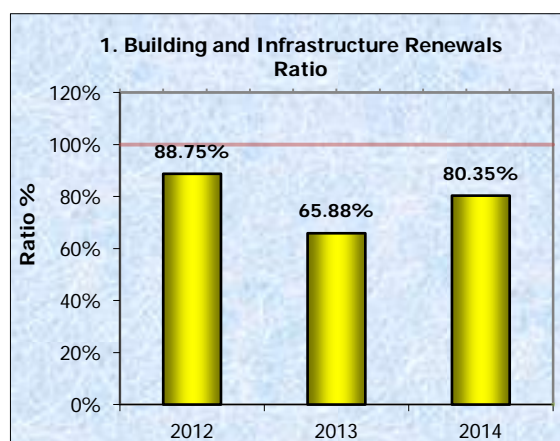
Notes

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

⁽²⁾ Replacement Cost

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

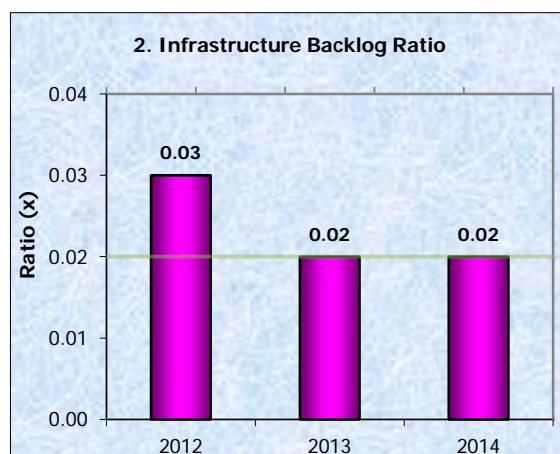
Purpose of Asset Renewals Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 80.35%

Council's diminished level of expenditure on asset renewals is reflective of a temporary scaling down of ongoing capital programs to enable the completion of major urban renewal projects in the Green Square and CBD Precincts. Completion of these projects will enable return to long-term average targets in asset renewal expenditure.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

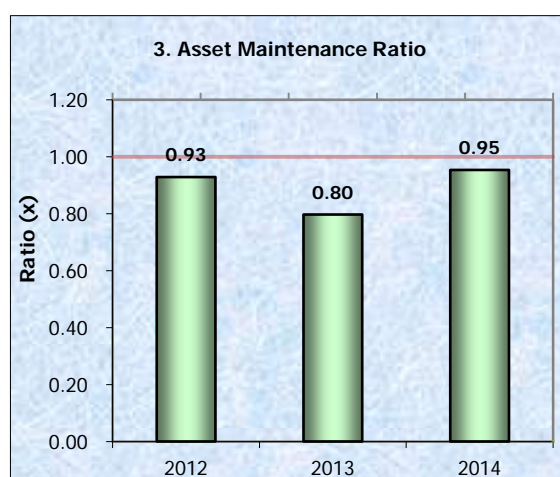
Purpose of Infrastructure Backlog Ratio

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

Commentary on 2013/14 Result

2013/14 Ratio 0.02 x

This ratio has progressively improved, reflecting positive progress in bringing building and infrastructure assets to a "satisfactory standard". For the buildings class, cost to bring to satisfactory standard includes some forward estimates relating to buildings currently inactive being brought back into use, and/or buildings subject to adaptive reuse. Under High City standards, assets may be fully functional, but subject to higher service standard.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

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 2013/14 Result

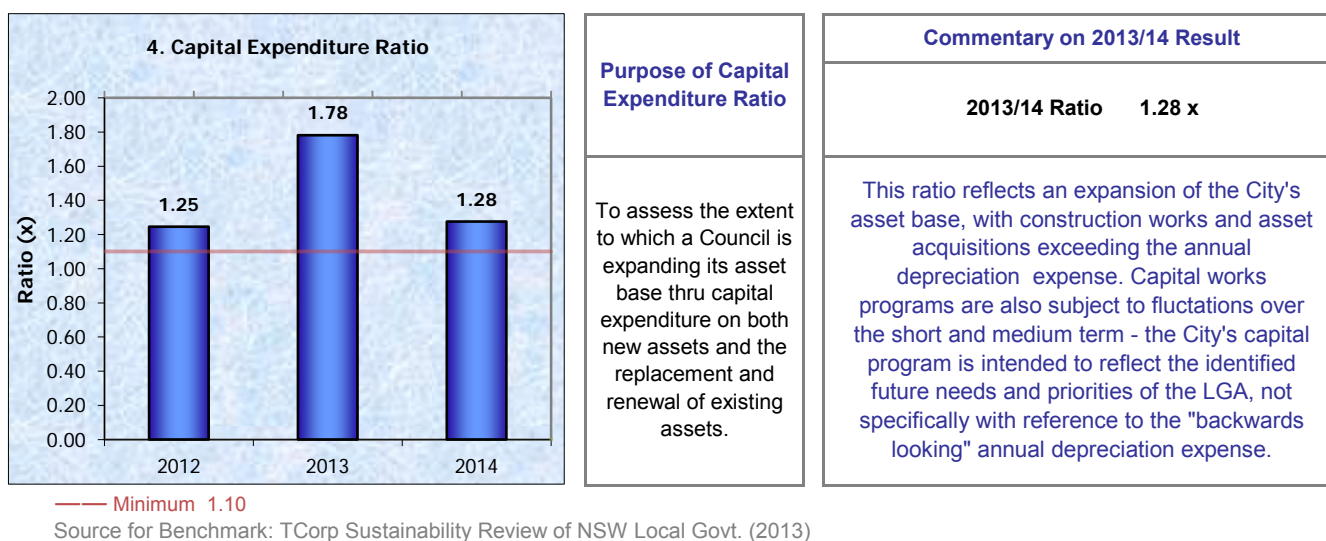
2013/14 Ratio 0.95 x

This ratio is within an acceptable margin of the 100% benchmark. A ratio in excess of 100% would represent overservicing of assets. Variations can occur when expected "required" maintenance works benefit from improved contract rates, and/or efficient delivery. Maintenance timing/cycles also vary slightly from time to time, as asset condition assessments are undertaken and findings are incorporated into work programs

City of Sydney

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

for the financial year ended 30 June 2014



Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	597,481	566,282	585,354	596,317	617,723	611,327	620,219	647,809	662,167	696,194	708,550
Expenses from continuing operations	500,739	511,244	520,884	537,349	552,281	570,106	587,058	605,358	622,187	640,565	659,507
Operating Result from Continuing Operations	96,742	55,038	64,470	58,968	65,442	41,221	33,161	42,451	39,980	55,629	49,043
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	52,222	147,551	185,768	152,040	117,161	101,917	52,054	51,589	51,203	71,609	61,233
Enhancement of Existing Assets	41,027	87,680	115,456	81,621	100,683	74,169	45,834	44,449	45,103	41,787	47,477
Replacement/Refurbishment of Existing Assets	62,674	94,059	65,848	47,211	42,379	42,949	67,134	75,196	74,815	68,102	77,483
Total Capital Budget	155,923	329,290	367,072	280,872	260,224	219,035	165,021	171,234	171,120	181,498	186,192
Funded by:											
– Loans	-	-	-	-	-	-	-	-	-	-	-
– Proceeds from sales of assets	6,579	55,300	30,000	60,200	42,200	-	-	-	-	-	-
– Cash and Investment Reserves	22,370	104,890	157,087	43,855	32,352	55,155	6,725	1,120	898	-	1,590
– Grants/Contributions	50,593	48,211	56,355	48,433	51,839	29,722	22,000	30,674	25,262	38,725	30,009
– Recurrent revenue	76,380	120,888	123,631	128,383	133,832	134,157	136,296	139,441	144,960	142,774	154,592
– Other	-	-	-	-	-	-	-	-	-	-	-
	155,923	329,290	367,072	280,871	260,224	219,035	165,021	171,234	171,120	181,498	186,192

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections are in accordance with Council's Integrated Planning and Reporting framework and are subject to any future changes in the long term financial plan.

City of Sydney

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	237,036	251,320
Plus or minus Adjustments ⁽²⁾	b	2,385	353
Notional General Income	c	239,421	251,673
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	4.96%	0.00%
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	-	5,788
or plus Crown land adjustment and rate peg amount	j = c x f	11,875	-
sub-total	k = (c+g+h+i+j)	251,296	257,461
plus (or minus) last year's Carry Forward Total	l	-	0
less Valuation Objections claimed in the previous year	m	(198)	(222)
sub-total	n = (l + m)	(198)	(222)
Total Permissible income	o = k + n	251,098	257,240
less Notional General Income Yield	p	251,320	257,770
Catch-up or (excess) result	q = o - p	(222)	(530)
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	222	529
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	0	(1)

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



City of Sydney Council

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

Report on the Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of City of Sydney Council ("the Council") for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

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

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Audit Opinion

In our opinion, Special Schedule No. 9 of City of Sydney Council for the year ending 30 June 2015 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

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

A handwritten signature in blue ink, likely representing a PricewaterhouseCoopers representative.

PricewaterhouseCoopers

A handwritten signature in blue ink, likely representing Peter Buchholz.

Peter Buchholz
Partner

Sydney
4 November 2014