

2014-15



City of Sydney

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for 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 26 October 2015. 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 2015

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

City of Sydney

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

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

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


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

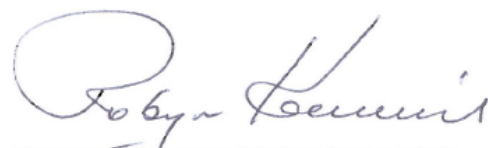
To the best of our knowledge and belief, these Financial Statements:

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

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

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



Clover Moore
MAYOR

Robyn Kemmis
COUNCILLOR

Monica Barone
CHIEF EXECUTIVE OFFICER

Bill Carter
RESPONSIBLE ACCOUNTING OFFICER

City of Sydney

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
289,923	Rates & Annual Charges	3a	289,134	279,682
98,779	User Charges & Fees	3b	102,985	95,164
18,341	Interest & Investment Revenue	3c	23,255	27,412
97,152	Other Revenues	3d	95,361	97,647
13,875	Grants & Contributions provided for Operating Purposes	3e,f	13,743	10,978 ²
48,211	Grants & Contributions provided for Capital Purposes	3e,f	202,793	81,784
Other Income:				
-	Net gains from the disposal of assets	5	8,281	4,815
566,282	Total Income from Continuing Operations		735,552	597,481
Expenses from Continuing Operations				
197,915	Employee Benefits & On-Costs	4a	203,711	194,633
-	Borrowing Costs	4b	-	-
96,363	Materials & Contracts	4c	91,274	105,350
111,062	Depreciation & Amortisation	4d	113,198	108,231
-	Impairment	4d	-	-
105,904	Other Expenses	4e	97,256	92,525
-	Contribution to Transport for NSW for CBD and South East Light Rail Project (Installment)	4e	19,600 ³	-
511,243	Total Expenses from Continuing Operations		525,039	500,739
55,038	Operating Result from Continuing Operations		210,512	96,742
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	24	-	-
55,038	Net Operating Result for the Year		210,512	96,742
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
6,827			7,720	14,958
Net Operating Result for the year excluding Capital Grants and Contributions Income and Contribution to Light Rail				
6,827			27,320 ³	14,958

¹ Original Budget as approved by Council - refer Note 16² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3(e)³ Refer to Note 4(e) - Contribution to Transport for NSW in accordance with the terms of a Memorandum of Understanding

City of Sydney

Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		210,512	96,742
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
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		-	28,005
Total Comprehensive Income for the Year		210,512	124,747

City of Sydney

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	53,029	75,400
Investments	6b	342,094	261,144
Receivables	7	61,151	95,273
Inventories	8	696	1,371
Other	8	3,986	3,869
Total Current Assets		460,956	437,057
Non-Current Assets			
Investments	6b	229,265	229,876
Receivables	7	32,598	20,438
Infrastructure, Property, Plant & Equipment	9	6,867,931	6,677,259
Investment Property	14	204,090	201,430
Other	8	197	216
Total Non-Current Assets		7,334,081	7,129,219
TOTAL ASSETS		7,795,037	7,566,276
LIABILITIES			
Current Liabilities			
Payables	10	95,640	79,907
Provisions	10	57,426	54,318
Total Current Liabilities		153,066	134,225
Non-Current Liabilities			
Provisions	10	23,201	23,794
Total Non-Current Liabilities		23,201	23,794
TOTAL LIABILITIES		176,267	158,019
Net Assets		7,618,770	7,408,257
EQUITY			
Retained Earnings	20	3,150,576	2,940,064
Revaluation Reserves	20	4,468,194	4,468,194
Council Equity Interest		7,618,770	7,408,257
Total Equity		7,618,770	7,408,257

City of Sydney

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

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		2,940,064	4,468,194	7,408,257	-	7,408,257
Net Operating Result for the Year		210,512	-	210,512	-	210,512
Total Comprehensive Income		210,512	-	210,512	-	210,512
Equity - Balance at end of the reporting period		3,150,576	4,468,194	7,618,770	-	7,618,770

\$ '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	7,283,510	-	7,283,510
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
Total Comprehensive Income		96,742	28,005	124,747	-	124,747
Equity - Balance at end of the reporting period		2,940,064	4,468,194	7,408,257	-	7,408,257

City of Sydney

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
289,053	Rates & Annual Charges		302,688	277,082
98,779	User Charges & Fees		110,464	96,943
18,341	Investment & Interest Revenue Received		24,369	21,005
62,086	Grants & Contributions		109,975	66,265
-	Bonds, Deposits & Retention amounts received		9,089	10,401
94,838	Other		118,174	101,212
Payments:				
(197,911)	Employee Benefits & On-Costs		(203,565)	(191,404)
(85,172)	Materials & Contracts		(107,272)	(115,379)
-	Bonds, Deposits & Retention amounts refunded		(7,488)	(8,630)
(90,607)	Other		(137,629)	(106,505)
189,406	Net Cash provided (or used in) Operating Activities	11b	218,805	150,990
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		411,000	354,723
8,600	Sale of Infrastructure, Property, Plant & Equipment		21,264	9,884
Payments:				
-	Purchase of Investment Securities		(491,470)	(417,489)
(1,720)	Additions to Investment Property		(1,480)	(552)
(270,880)	Purchase of Infrastructure, Property, Plant & Equipment		(180,491)	(111,602)
(264,000)	Net Cash provided (or used in) Investing Activities		(241,177)	(165,037)
Cash Flows from Financing Activities				
Receipts:				
Nil				
Payments:				
Nil				
(74,594)	Net Increase/(Decrease) in Cash & Cash Equivalents		(22,372)	(14,047)
75,400	plus: Cash & Cash Equivalents - beginning of year	11a	75,400	89,447
806	Cash & Cash Equivalents - end of the year	11a	53,029	75,400
463,694	plus: Investments on hand - end of year	6b	571,359	491,020
464,500	Total Cash, Cash Equivalents & Investments		624,387	566,419

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 2015

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CITY OF SYDNEY NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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 2014 affected any of the amounts recognised in the current period or any prior period. All standards are regularly monitored to determine their potential effect on future periods.

Early adoption of standards

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

Refer to section 29 for a summary of standards with future operative dates.

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.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain significant 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.

• *Significant 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.

- *Significant 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 2015. 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 Interests in other entities

Council did not at any time for the years presented have an interest in any subsidiaries, joint arrangements, joint ventures or associates.

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 original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, 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 commercial properties that are surplus to requirements 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 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.

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

Renewable Energy – Monies set aside to develop renewable energy for the organisation that can be derived from wind, solar or geo-thermal sources. In accordance with Council's resolution, a final \$2M was set aside in 2014/15.

Community Facilities – Cash proceeds from the divestment of properties that no longer fulfil community needs are set aside for the future acquisition or development of property to improve 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 designated in that manner at the time of acquisition. Their performance is evaluated through documented risk management strategies and policies and is reported to Council in accordance with those policies. The assets are acquired on the basis of their financial return over the term to maturity, but are made available for sale where the combination of the realised fair value and return on reinvested proceeds will deliver a return greater than can be achieved by holding the original asset to maturity. 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 original maturity is 90 days or less, or, as investments where the remaining maturity is up to 12 months in the future, or they are classified as non-current investments where the remaining maturity exceeds 12 months.

(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 de-recognised 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 and Strategy

Council has an approved investment policy complying with Section 625 of the Local Government Act and Section 212 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.

The policy is supported by a documented strategy which is reviewed at least annually and which outlines the strategic investment direction for the future in line with the policy and in accordance with Council's liquidity needs in the short, medium and long-terms.

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 Office of Local Government. Fair value estimations are determined in accordance with the policy detailed at Section 23 of this Note, *Fair Value Estimation*.

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 de-recognise 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 acquired at a value equal to the contractual contribution value, and if this value is different to its fair value at the time of acquisition, it is subsequently valued at fair value.

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
Bulk Earthworks	Infinite

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, stormwater drainage, 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 Commonwealth 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 (for income, expenditure and cash flows) are detailed in Note 16. Note 2 also provides budget information for 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 Statements 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 immediately preceding financial year. These figures have been reclassified, where necessary, on a basis consistent with the disclosure for current financial year.

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. Contribution to Transport For NSW (Light Rail – CBD to South East)

Under the terms of the *Light Rail Development Agreement* (the Agreement) between the City of Sydney and the NSW Government, the City will provide a \$220M contribution towards the delivery of the CBD and South East Sydney light rail project. Progress payments are to be made over a number of financial years, commensurate with agreed project milestones. Payments to Transport for NSW will be expensed to the Income Statement as they are made (refer note 4e). Additionally, under the terms of the Agreement, Council will receive completed assets from Transport for NSW at a future date. The exact timing, nature and value of these transfers is yet to be finalised. Assets will be recognised appropriately at the time of transfer to Council.

29. New accounting standards and interpretations

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

(i) *AASB 9 Financial Instruments and associated statements (effective for 30 June 2018 financial statements)*

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both *business model* and *cash flow characteristics* tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); of full lifetime
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through Other Comprehensive Income and will no longer be subject to impairment testing. Council does not value any investments on this basis.

(ii) *AASB 15 Revenue from contracts with customers and associated amending standards (effective for 30 June 2017 financial statements)*

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

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

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The impact of AASB 15 has not yet been quantified.

(iii) *AASB 124 - Related Party Disclosures*

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

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

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

30. Authorisation for issue

The financial statements were authorised for issue by the Council on 26 October 2015. Council has the power to amend and reissue the financial statements.

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. <i>Details of these Functions/Activities are provided in Note 2(b).</i>												
	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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Globally competitive and innovative city	41,630	36,487	36,649	53,016	47,401	46,739	(11,386)	(10,914)	(10,090)	-	50	12,347	15,027
Leading environmental performer	2,810	2,277	2,013	73,903	73,333	70,455	(71,094)	(71,055)	(68,442)	1,099	4,014	33,440	51,274
Integrated transport for a connected city	71,038	75,232	68,144	76,886	76,448	81,114	(5,848)	(1,216)	(12,970)	4,371	2,884	1,062,064	1,063,256
City for walking and cycling	-	-	-	5,473	5,625	4,389	(5,473)	(5,625)	(4,389)	148	-	82,267	63,781
Lively and engaging city centre	182	193	239	721	885	809	(539)	(691)	(570)	-	-	159	268
Vibrant local communities and economies	16,276	17,379	20,139	101,571	98,410	105,307	(85,294)	(81,032)	(85,168)	4,075	4,014	4,258,321	4,177,162
Cultural and creative city	2,431	2,451	2,398	5,781	5,633	5,267	(3,350)	(3,181)	(2,869)	1	-	353	592
Sustainable development, renewal and design	43,570	212,201	90,125	35,493	37,874	30,992	8,077	174,327	59,133	-	-	3,093	1,660
Implementation through effective governance and partnerships	110,862	90,034	102,423	158,399	179,432	155,667	(47,538)	(89,398)	(53,244)	196	131	2,342,994	2,193,256
Total Functions & Activities	288,798	436,254	322,131	511,243	525,039	500,739	(222,445)	(88,786)	(178,609)	9,889	11,092	7,795,037	7,566,276
General Purpose Income ¹	277,483	299,298	275,351	-	-	-	277,483	299,298	275,351	5,685	2,994	-	-
Operating Result from Continuing Operations	566,282	735,552	597,481	511,243	525,039	500,739	55,038	210,512	96,742	15,575	14,087	7,795,037	7,566,276

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 2015

Note 2(b). Council Functions / Activities - Component Descriptions

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

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, cleansing and waste services, drainage and recycling.

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 City's streets and public spaces.

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.

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 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		57,069	54,262
Business		193,703	190,076
Total Ordinary Rates		250,772	244,339
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		36,486	33,494
Stormwater Management Services		1,877	1,849
Total Annual Charges		38,362	35,343
TOTAL RATES & ANNUAL CHARGES		289,134	279,682

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 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Nil			
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		15,267	13,320
Private Works - Section 67		5,827	5,219
Health Inspections		1,129	974
Total Fees & Charges - Statutory/Regulatory		22,224	19,513
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Child Care		1,905	1,959
Advertising Space Income		6,445	6,293
Parking Meter Income		39,291	35,783
Parking Station Income		9,663	9,262
Recreation Facilities Hire		4,655	4,925
Venue Hire		4,786	4,305
Workzone and Filming Fees		7,933	7,210
Other		6,082	5,914
Total Fees & Charges - Other		80,762	75,651
TOTAL USER CHARGES & FEES		102,985	95,164

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		374	1,442
- Interest earned on Investments (interest & coupon payment income)		23,017	22,058
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		(135)	3,912
Impairment Losses/Reversals			
Available for Sale Revaluation Reserves realised on Investment sale		-	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>23,255</u>	<u>27,412</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		374	1,442
General Council Cash & Investments		4,106	7,940
Restricted Investments/Funds - External:			
Developer Contributions			
- Section 94		3,253	2,655
- Planning Agreements/Bonus Floorspace Levy		717	700
Domestic Waste Management operations		564	487
Stormwater Management Service Charge		47	40
Specific Purpose Unexpended Grants		25	94
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		14,170	14,054
Total Interest & Investment Revenue Recognised		<u>23,255</u>	<u>27,412</u>
(d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	1,180	6,873
Rental Income - Investment Properties	14	15,569	14,971
Rental Income - Other Council Properties		42,265	39,471
Ex Gratia Rates		620	605
Fines - Enforcement of Regulations		33,769	33,792
Sponsorship and Donations		811	699
Other		1,146	1,237
<u>TOTAL OTHER REVENUE</u>		<u>95,361</u>	<u>97,647</u>

City of Sydney

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

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 4,111	2,030	-	-
Financial Assistance - Local Roads Component	1 1,198	590	-	-
Pensioners' Rates Subsidies - General Component	376	375	-	-
Total General Purpose	5,685	2,994	-	-
Specific Purpose				
Child Care	889	784	-	-
Community and Recreation	1,777	2,204	70	130
Environmental Protection	1,157	436	1,024	4,316
Library	482	472	100	-
Transport (Roads to Recovery)	-	-	583	420
Transport (Other Roads & Bridges Funding)	1,589	2,330	2,217	-
Total Specific Purpose	5,895	6,226	3,994	4,866
Total Grants	11,580	9,220	3,994	4,866
Grant Revenue is attributable to:				
- Commonwealth Funding	6,996	4,727	1,592	4,701
- State Funding	4,584	4,493	2,403	165
	11,580	9,220	3,994	4,866
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 93F - Contributions using Planning Agreements	-	-	28,007	29,215
S 94 - Contributions towards amenities/services	-	-	41,280	37,384
S 61 - Fixed Development Consent Levies	-	-	13,425	10,229
Total Developer Contributions	17 -	-	82,712	76,828
Other Contributions:				
Asset Dedications (other than by S94) ²	-	-	114,048	-
External Contributions to Capital Projects	-	-	2,039	90
Other	2,162	1,758	-	-
Total Other Contributions	2,162	1,758	116,086	90
Total Contributions	2,162	1,758	198,798	76,918
TOTAL GRANTS & CONTRIBUTIONS	13,743	10,978	202,793	81,784

² Refer Note 9a for further detail relating to assets received for zero consideration

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

	Actual 2015	Actual 2014
\$ '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	161,577	133,136
add: Grants & contributions recognised in the current period but not yet spent:	73,752	74,731
less: Grants & contributions recognised in a previous reporting period now spent:	(86,868)	(46,290)
Net Increase (Decrease) in Restricted Assets during the Period	(13,117)	28,441
Unexpended and held as Restricted Assets	148,460	161,577
Comprising:		
- Specific Purpose Unexpended Grants	551	801
- Developer Contributions	147,909	160,776
	148,460	161,577

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		166,076	156,311
Travelling		254	377
Employee Leave Entitlements (ELE)		20,098	18,538
Superannuation - Defined Contribution Plans		11,830	10,758
Superannuation - Defined Benefit Plans		6,762	6,395
Workers' Compensation Insurance		2,271	5,483
Fringe Benefit Tax (FBT)		601	460
Training Costs (other than Salaries & Wages)		2,008	1,649
Other		1,633	1,550
Total Employee Costs		211,533	201,520
less: Capitalised Costs		(7,822)	(6,887)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>203,711</u>	<u>194,633</u>
Number of "Equivalent Full Time" Employees at year end		1,804	1,773

(b) Borrowing Costs

(i) Interest Bearing Liability Costs

Nil

(ii) Other Borrowing Costs

Nil

City of Sydney

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		5,248	5,289
Contractor & Consultancy Costs			
- Building and Facilities Management		22,434	20,582
- City Infrastructure Management		6,407	7,742
- Parks Management		15,128	14,387
- Waste Disposal, Recycling and Graffiti Removal		11,498	10,766
- Project Costs and Minor Contracts		9,994	27,964
- Consultancies		4,052	3,305
Auditors Remuneration ⁽¹⁾		110	123
Legal Expenses:			
- Legal Expenses: Planning & Development		1,455	744
- Legal Expenses: Other		668	1,134
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		1,501	1,382
Asset Maintenance and Minor Purchases		11,208	9,910
Other		2,503	2,471
Total Materials & Contracts		92,204	105,796
less: Capitalised Costs		(930)	(447)
TOTAL MATERIALS & CONTRACTS		91,274	105,350
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by Council's Auditor:			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		110	123
Remuneration for audit and other assurance services		110	123
Total Auditor Remuneration		110	123
2. Operating Lease Payments are attributable to:			
Buildings		1,477	1,358
Motor Vehicles		23	23
		1,501	1,382

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	9,531	8,293
Office Equipment		-	-	6,720	5,779
Furniture & Fittings		-	-	4,171	2,868
Land Improvements (depreciable)		-	-	16,917	15,945
Buildings - Non Specialised		-	-	37,570	37,702
Buildings - Specialised		-	-	882	890
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	32,937	32,410
- Stormwater Drainage		-	-	2,583	2,544
Other Assets					
- Library Resources		-	-	1,538	1,462
- Poles & Lighting		-	-	25	17
- Public Art / Open Museum		-	-	322	320
TOTAL DEPRECIATION & IMPAIRMENT COSTS		-	-	113,198	108,231

City of Sydney

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

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		3,147	2,919
Bad & Doubtful Debts		561	273
Bank Charges		1,317	1,280
Books and Periodicals		174	169
Computer Costs		2,513	1,864
Contributions/Levies to Other Levels of Government		25,808	24,397
Councillor Expenses - Lord Mayoral Fee		197	192
Councillor Expenses - Councillors' Fees		362	356
Councillors' Expenses (incl. Lord Mayor) - Other (excluding fees above)		603	700
Donations, Contributions & Assistance to other organisations (Section 356)		9,718	8,623
Event and Project Costs		15,180	14,908
Insurance		2,862	3,107
Land Tax and Water rates		2,070	1,907
Management Fees		37	25
Other Property Related Expenditure		449	327
Parking Enforcement Profit Share		4,113	6,057
Postage and Couriers		888	890
Printing & Stationery		2,073	2,002
Public Domain Enhancement Contributions		7,174	3,427
Research and Development		447	555
Security		1,521	1,287
Storage		575	607
Street Lighting		4,848	5,349
Telephone & Communications		2,642	2,572
Utilities		4,812	5,576
Contribution to NSW Transport - Light Rail CBD to South East ¹		19,600	-
Other		3,167	3,155
Total Other Expenses		116,856	92,525
TOTAL OTHER EXPENSES		116,856	92,525

1 Refer to Note 1 (29) for details relating to the accounting treatment of Council's contribution to Transport for NSW for the delivery of light rail in the CBD and South East Sydney

City of Sydney

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

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		37,424	7,609
less: Carrying Amount of Property Assets Sold / Written Off		(28,503)	(3,437)
Net Gain/(Loss) on Disposal		8,921	4,172
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		2,540	2,275
less: Carrying Amount of P&E Assets Sold / Written Off		(3,185)	(1,660)
Net Gain/(Loss) on Disposal		(646)	615
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		411,000	354,723
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(410,995)	(354,695)
Net Gain/(Loss) on Disposal		5	28
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		8,281	4,815
* Financial Assets disposals / redemptions include:			
- Net Gain/(Loss) from Financial Instruments "At Fair Value through profit & loss"		5	28
Net Gain/(Loss) on Disposal of Financial Instruments		5	28

City of Sydney

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

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

		2015	2015	2014	2014
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non Current	Current	Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		4,362	-	5,782	-
- Deposits at Call		28,667	-	34,618	-
- Short Term Deposits		20,000	-	35,000	-
Total Cash & Cash Equivalents		53,029	-	75,400	-
- Long Term Deposits		282,000	51,000	246,000	46,000
- NCD's, FRN's (with Maturities > 3 months)		60,094	178,265	15,144	183,876
Total Investments		342,094	229,265	261,144	229,876
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		395,123	229,265	336,544	229,876

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

53,029	-	75,400	-
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Investments

a. "At Fair Value through the Profit & Loss"

- "Designated at Fair Value on Initial Recognition" 6(b-i) 60,094 178,265 15,144 183,876

b. "Held to Maturity" 6(b-ii) 282,000 51,000 246,000 46,000

Investments

342,094	229,265	261,144	229,876
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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 2015

Note 6b. Investments (continued)

	2015	2015	2014	2014
	Actual	Actual	Actual	Actual
\$ '000	Current	Non Current	Current	Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	15,144	183,876	40,483	127,831
Revaluations (through the Income Statement)	(380)	245	2,620	1,292
Additions	-	59,469	5,391	84,098
Disposals (sales & redemptions)	(14,995)	(5,000)	(48,500)	(14,195)
Transfers between Current/Non Current	60,325	(60,325)	15,150	(15,150)
Balance at End of Year	60,094	178,265	15,144	183,876
Comprising:				
- NCD's, FRN's (with Maturities > 3 months)	60,094	178,265	15,144	183,876
Total	60,094	178,265	15,144	183,876
Note 6(b-ii)				
Reconciliation of Investments classified as "Held to Maturity"				
Balance at the Beginning of the Year	246,000	46,000	173,000	83,000
Additions	397,000	35,000	313,000	15,000
Disposals (sales & redemptions)	(391,000)	-	(292,000)	-
Transfers between Current/Non Current	30,000	(30,000)	52,000	(52,000)
Balance at End of Year	282,000	51,000	246,000	46,000
Comprising:				
- Long Term Deposits	282,000	51,000	246,000	46,000
Total	282,000	51,000	246,000	46,000
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 2015

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

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	395,123	229,265	336,544	229,876
attributable to:				
External Restrictions (refer below)	35,797	93,314	55,006	52,918
Internal Restrictions (refer below)	252,838	135,951	202,279	176,958
Unrestricted	106,488	-	79,259	-
	395,123	229,265	336,544	229,876

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

Details of Restrictions

External Restrictions

Developer Contributions - General	(A)	92,934	70,560	(51,857)	111,638
Specific Purpose Unexpended Grants	(B)	801	-	(250)	551
Domestic Waste Management	(C)	12,904	36,050	(33,350)	15,603
Stormwater Management	(C)	1,284	1,923	(1,890)	1,318
External Restrictions - Other		107,924	108,534	(87,347)	129,111
Total External Restrictions		107,924	108,534	(87,347)	129,111

- A** Developer contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- C** Domestic Waste Management (DWM) & the Stormwater Levy are externally restricted assets and must be applied for the purposes for which they were raised.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	5,806	4,054	(3,706)	6,155
Performance Cash Bonds and Retentions	11,782	9,448	(7,847)	13,384
Public Liability Insurance	400	157	-	557
Provision - Workers Compensation	19,274	-	(2,642)	16,632
City Centre Transformation Reserve	180,000	40,000	(19,600)	200,400
Public Road Reserve	139	-	(139)	-
Community Reserve	12,456	-	-	12,456
Green Infrastructure	45,406	939	(9,272)	37,073
Green Square Reserve	86,325	-	-	86,325
Renewable Energy Reserve	9,373	2,000	(433)	10,940
Infrastructure Contingency	8,276	-	(3,407)	4,869
Total Internal Restrictions	379,237	56,598	(47,045)	388,789
TOTAL RESTRICTIONS	487,161	165,131	(134,392)	517,900

Details of Internal Restrictions are provided at Note 1 (section 5)

City of Sydney

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

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		4,572	-	17,825	-
Interest & Extra Charges		613	-	1,976	-
User Charges & Fees		4,159	-	2,539	-
Accrued Revenues					
- Interest on Investments		4,946	-	4,562	-
- Other Income Accruals		19,198	18,700	17,041	-
Net GST Receivable		811	-	1,168	-
Rental Debtors		6,023	-	3,906	-
Outstanding Works in Kind Contributions		22,373	13,898	47,403	20,438
Total		62,697	32,598	96,421	20,438
less: Provision for Impairment					
Rates & Annual Charges		-	-	(32)	-
User Charges & Fees		(1,546)	-	(1,115)	-
Total Provision for Impairment - Receivables		(1,546)	-	(1,147)	-
<u>TOTAL NET RECEIVABLES</u>		<u>61,151</u>	<u>32,598</u>	<u>95,273</u>	<u>20,438</u>
Externally Restricted Receivables					
Domestic Waste Management		557	-	551	-
Domestic Waste Management Extra Charges		30	-	31	-
Other					
- Works Receivable - Developer Contributions		22,373	13,898	47,403	20,438
Total External Restrictions		22,959	13,898	47,985	20,438
Nil					
Unrestricted Receivables		38,192	18,700	47,288	-
TOTAL NET RECEIVABLES		61,151	32,598	95,273	20,438

Notes on Debtors above:

(i) Rates & Annual Charges Outstanding are secured against the property.

(ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.

An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired, for example, unsecured rates for land leased from the Crown

(iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).

Generally all other receivables are non interest bearing.

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

City of Sydney

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

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		696	-	1,371	-
Total Inventories		696	-	1,371	-
Other Assets					
Prepayments		3,972	-	3,855	-
Future Benefits - Shared Services relating to Sutherland Animal Shelter		14	197	14	216
Total Other Assets		3,986	197	3,869	216
<u>TOTAL INVENTORIES / OTHER ASSETS</u>		<u>4,682</u>	<u>197</u>	<u>5,241</u>	<u>216</u>
Externally Restricted Assets					
There are no restrictions applicable to the above assets.					
Total Externally Restricted Assets		-	-	-	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		4,682	197	5,241	216
TOTAL INVENTORIES & OTHER ASSETS		4,682	197	5,241	216

City of Sydney

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014				Asset Movements during the Reporting Period					as at 30/6/2015			
	At	At	Accum.	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) Inv. Properties	At	At	Accum.	Carrying
	Cost	Fair Value	Dep'n	Value						Cost	Fair Value	Dep'n	Value
Capital Work in Progress ⁽¹⁾	147,948	-	-	147,948	35,248	-	-	-	(1,480)	181,716	-	-	181,716
Plant & Equipment	-	67,660	34,324	33,336	13,351	(1,897)	(9,531)	(4)	-	-	74,512	39,256	35,256
Office Equipment	-	30,818	17,930	12,888	6,890	-	(6,720)	-	-	-	26,145	13,087	13,058
Furniture & Fittings	-	50,675	41,174	9,502	24,131	-	(4,171)	2	-	-	69,163	39,700	29,464
Land:													
- Operational Land	-	533,054	-	533,054	17,151	(22,169)	-	-	-	-	528,036	-	528,036
- Community Land ⁽²⁾	-	3,784,121	-	3,784,121	85,984	-	-	-	-	-	3,870,104	-	3,870,104
- Land under Roads (post 30/6/08) ⁽³⁾	-	69,530	-	69,530	33,824	-	-	-	-	-	103,354	-	103,354
Land Improvements - depreciable	-	395,947	181,537	214,409	43,867	(133)	(16,917)	-	-	-	439,242	198,017	241,225
Buildings - Non Specialised	-	1,586,524	875,494	711,030	8,954	(6,240)	(37,570)	-	-	-	1,577,578	901,404	676,174
Buildings - Specialised	-	43,325	24,228	19,097	2,134	(94)	(882)	4	-	-	45,059	24,801	20,259
Other Structures - Trees	-	86,556	-	86,556	1,631	-	-	-	-	-	88,187	-	88,187
Other Structures - Signs	-	8,821	-	8,821	722	-	-	-	-	-	9,543	-	9,543
Other Structures - Poles and Lights	-	345	34	311	8,204	-	(25)	-	-	-	8,549	59	8,491
Infrastructure:													
- Roads, Bridges, Footpaths	-	1,696,193	834,932	861,261	42,876	(1,155)	(32,937)	-	-	-	1,735,867	865,822	870,045
- Stormwater Drainage	-	246,344	97,064	149,280	8,959	-	(2,583)	-	-	-	255,303	99,647	155,656
Other Assets:													
- Heritage Collections	-	6,557	-	6,557	61	-	-	-	-	-	6,618	-	6,618
- Library Books	-	10,157	6,714	3,443	787	-	(1,538)	-	-	-	9,373	6,681	2,691
- City Art	-	32,100	5,984	26,116	2,260	-	(322)	-	-	-	34,361	6,307	28,054
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT	147,948	8,648,725	2,119,415	6,677,259	337,035	(31,688)	(113,198)	2	(1,480)	181,716	8,880,995	2,194,780	6,867,931

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$21.2M) and New/Upgraded Assets (\$41.7M). 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 2015

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") for a large proportion of these Crown Reserves. Prior to the enactment of the Act, Council was Reserve Trustee of these assets and upon enactment, section 5A of the Schedule 8 (Savings, transitional and other provisions) of the Act has appointed Council Reserve Trust Manager of the related Reserve Trusts created under section 92.
- (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 (2014:\$11,808M).
- (4) Council received assets for nil consideration during 2014-15, which were brought to account at fair value. These assets arose through Voluntary Planning Agreements (VPAs) with developers. Contributed assets for which developers received a contributions "credit" are shown at note 17. Dedications of land for which developers did not receive a contribution credit totalled \$114.0M, as shown at note 3f. For 2014-15, the total comprised Community Land (\$75.0M), Land Under Roads (\$29.6M) and land for affordable housing (\$9.4M)

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

\$ '000

Class of Asset	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment		5,865	3,259	2,606	-	5,243	2,780	2,463
Land								
- Operational Land		6,910		6,910	-	6,910	-	6,910
Buildings		6,628	5,133	1,495	-	6,592	4,945	1,647
Total DWM	-	19,403	8,392	11,011	-	18,745	7,725	11,020
TOTAL RESTRICTED I,PP&E	-	19,403	8,392	11,011	-	18,745	7,725	11,020

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 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services		13,520	-	14,096	-
Payments Received In Advance		8,126	-	6,494	-
Accrued Expenses:					
- Interest on Bonds & Deposits		5	-	5	-
- Expenditure Accruals		56,487	-	39,938	-
Performance Cash Bonds, Deposits & Retentions		13,383	-	11,782	-
Employee Related Payables		3,722	-	7,232	-
Other		396	-	360	-
Total Payables		95,640	-	79,907	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		12,702	-	11,993	-
Sick Leave		4,367	5,222	4,231	5,520
Long Service Leave		35,663	3,106	33,328	2,282
Gratuities		232	256	411	300
Sub Total - Aggregate Employee Benefits		52,964	8,584	49,962	8,102
Self Insurance - Workers Compensation		2,590	8,422	2,854	9,985
Public Liability Insurance		307	250	150	250
Public Holidays		280	-	266	-
Asset Remediation/Restoration (Future Works)	26	-	4,000	-	4,000
Superannuation		-	1,945	-	1,457
Other		1,285	-	1,086	-
Total Provisions		57,426	23,201	54,318	23,794
Total Payables, Borrowings & Provisions		153,066	23,201	134,225	23,794

(i) Liabilities relating to Restricted Assets

	2015		2014	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	2,834	-	1,460	-
Liabilities relating to externally restricted assets	2,834	-	1,460	-
Internally Restricted Assets				
Performance Cash Bonds, Deposits & Retentions	13,383	-	11,782	-
Public Liability Insurance	307	250	150	250
Workers Compensation	2,590	8,422	2,854	9,985
Liabilities relating to internally restricted assets	16,280	8,672	14,786	10,235
Total Liabilities relating to Restricted Assets	19,114	8,672	16,247	10,235
Total Liabilities relating to Unrestricted Assets	133,952	14,529	117,978	13,559
Total Payables, Borrowings & Provisions	153,066	23,201	134,225	23,794

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

	Actual 2015	Actual 2014
\$ '000		
(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	32,784	33,819
Performance Cash Bonds, Deposits & Retentions	5,895	5,958
	38,679	39,777

Note 10b. Description of and movements in Provisions

Class of Provision	2014	2015				Closing Balance as at 30/6/15
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	11,993	12,131	(11,422)	-	-	12,702
Sick Leave	9,751	1,048	(1,014)	(196)	-	9,589
Long Service Leave	35,610	8,627	(4,306)	(1,162)	-	38,769
Gratuities	710	(68)	(154)	-	-	488
Self Insurance	13,239	2,428	(4,098)	-	-	11,569
Asset Remediation	4,000	-	-	-	-	4,000
Public Holidays	266	14	-	-	-	280
Superannuation	1,457	488	-	-	-	1,945
Other	1,086	199	-	-	-	1,285
TOTAL	78,112	24,867	(20,994)	(1,358)	-	80,627

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.
- Other provisions represent mainly amounts accrued and payable in respect of State taxes on commercial leases on Crown lands controlled by the City.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 2015

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 \$4.296M.

(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 2015 is:

<i>Employer reserves only (excluding member accounts and reserves in both assets and liabilities)</i>	<i>\$M</i>	<i>Asset Coverage</i>
Assets		
Past Service Liabilities		
Vested Benefits		

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

Investment return	7.0% 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 2016 and total \$2,119M. However, the Trustee is considering extending the additional contribution period in order to build up a satisfactory surplus, allow the Fund to transition to a less risky investment portfolio resulting in a lower assumed long-term investment return.

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 2015

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. The last valuation of the Fund was performed by Mr Martin Stevenson B Sc FIA FIAA on 20 February 2013.

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.

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 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	53,029	75,400
BALANCE as per the STATEMENT of CASH FLOWS		53,029	75,400
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		210,512	96,742
Adjust for non cash items:			
Depreciation & Amortisation		113,198	108,231
Net Losses/(Gains) on Disposal of Assets		(8,281)	(4,815)
Non Cash Capital Grants and Contributions		(139,093)	(26,497)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		135	(3,912)
- Investment Properties		(1,180)	(6,873)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		40,264	(25,492)
Increase/(Decrease) in Provision for Doubtful Debts		398	247
Decrease/(Increase) in Inventories		676	(11)
Decrease/(Increase) in Other Assets		(98)	(150)
Increase/(Decrease) in Payables		(576)	2,651
Increase/(Decrease) in Accrued Expenses Payable		576	4,570
Increase/(Decrease) in Other Liabilities		(241)	942
Increase/(Decrease) in Employee Leave Entitlements		3,484	3,229
Increase/(Decrease) in Other Provisions		(969)	2,126
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		218,805	150,990

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Developer Contributions "in kind"		139,093	26,497
Total Non-Cash Investing & Financing Activities		139,093	26,497
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		-	2,000
Credit Cards / Purchase Cards		300	300
Total Financing Arrangements		300	2,300

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.

(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 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings		1,152	151
Plant & Equipment		4,923	7,089
Total Commitments		6,075	7,240
These expenditures are payable as follows:			
Within the next year		6,075	7,240
Total Payable		6,075	7,240
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		6,075	7,240
Total Sources of Funding		6,075	7,240

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

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

Within the next year	1,215	1,323
Later than one year and not later than 5 years	4,192	4,987
Later than 5 years	29,777	28,125
Total Non Cancellable Operating Lease Commitments	35,184	34,435

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 45 years remaining on the lease, which is estimated at \$26.8M.

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 \$7.8M.

Conditions relating to Finance Leases:

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

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2015	Actual 2014
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(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	862	820
Total Commitments	862	820

These expenditures are payable as follows:

Within the next year	862	820
Total Payable	862	820

(e) Memorandum of Understanding - Transport for NSW

As detailed in Note 1(28), Council has entered into the Light Rail Development Agreement (the Agreement) with the NSW Government, and will provide a \$220M contribution (via progress payments over a number of years) towards the CBD and South East Sydney light rail project. Progress payments will be commensurate with agreed project milestones.

These expenditures are payable as follows:

Within the next year	48,600	19,600
Later than one year and not later than 5 years	151,600	197,900
Later than 5 years	200	2,500
Total Payable	200,400	220,000

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio (excluding non-recurrent capital expenditure from Operating Expenses)				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	17,994	3.44%	4.35%	7.56%
Total continuing operating revenue ⁽¹⁾	523,433			
(excl. Capital Grants & Contributions)				
1a. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(1,606)	-0.31%	-0.13%	2.12%
Total continuing operating revenue ⁽¹⁾	523,433			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	509,691	70.18%	84.06%	81.53%
Total continuing operating revenue ⁽¹⁾	726,226			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	402,200	3.61x	3.54	4.07
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	111,553			
3a. Unrestricted Current Ratio (less External and Internal Restrictions)				
Current Assets less all Internal + External Restrictions ⁽²⁾	149,362	1.57x	1.65	1.71
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	95,273			

Notes

⁽¹⁾ Excludes fair value adjustments, reversal of revaluation decrements and net gain/(loss) on sale of assets

Alternative ratio provided - non-recurrent Operating Expenses adjusted to reflect underlying Operating Performance

⁽²⁾ Refer Notes 6-8 inclusive.

⁽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).

City of Sydney

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

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	111,592	0.00x	0.00	0.00
Principal Repayments (from the Statement of Cash Flows)	-			
+ Borrowing Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage (excl. disputed rates claim recovered post 30/6/2014)				
Rates, Annual and Extra Charges Outstanding	5,186	1.68%	1.41%	1.78%
Rates, Annual and Extra Charges Collectible	309,278			
5a. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding ⁽⁵⁾	5,186	1.68%	6.65%	5.75%
Rates, Annual and Extra Charges Collectible	309,278			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	386,029	10.16 mths	10.45	10.10
Payments from cash flow of operating and financing activities	37,996			

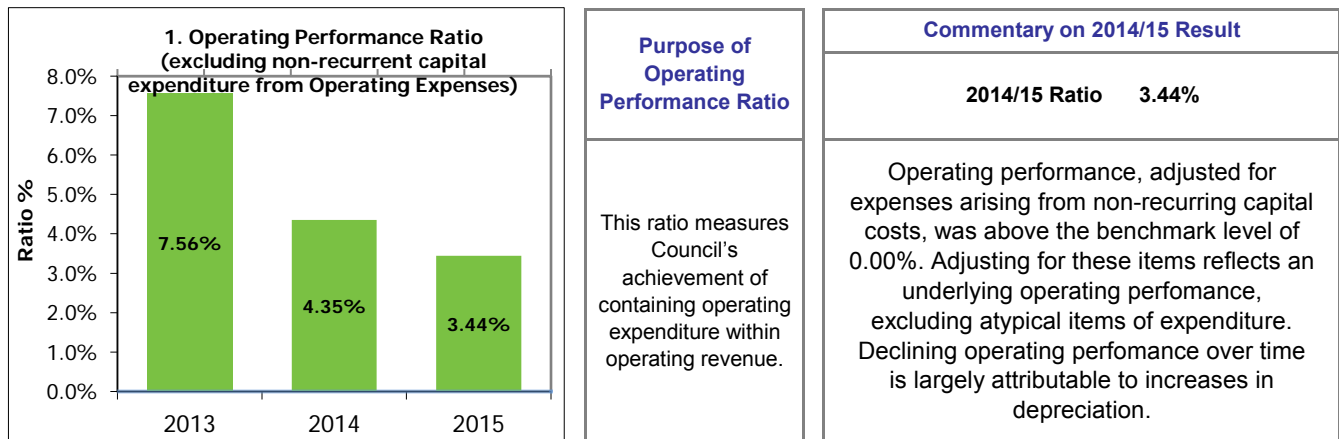
Notes

⁽⁵⁾ Alternative ratios are provided - both inclusive and exclusive of disputed Barangaroo Development Authority rates
For 2014/15, both ratios are identical - disputed rates in respect of Barangaroo were received in full in July 2014

City of Sydney

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

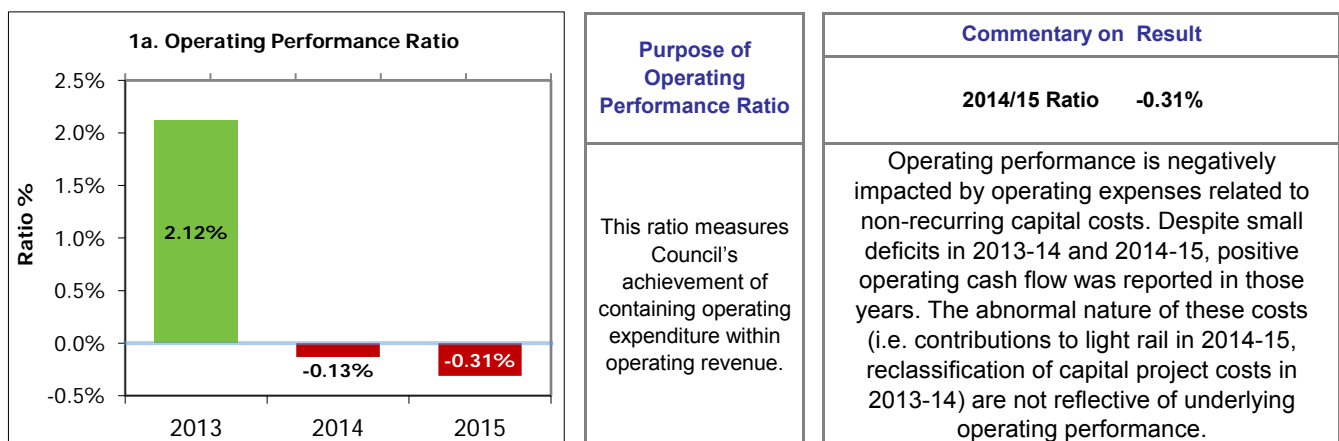
Note 13a(ii) Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum $\geq 0.00\%$

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

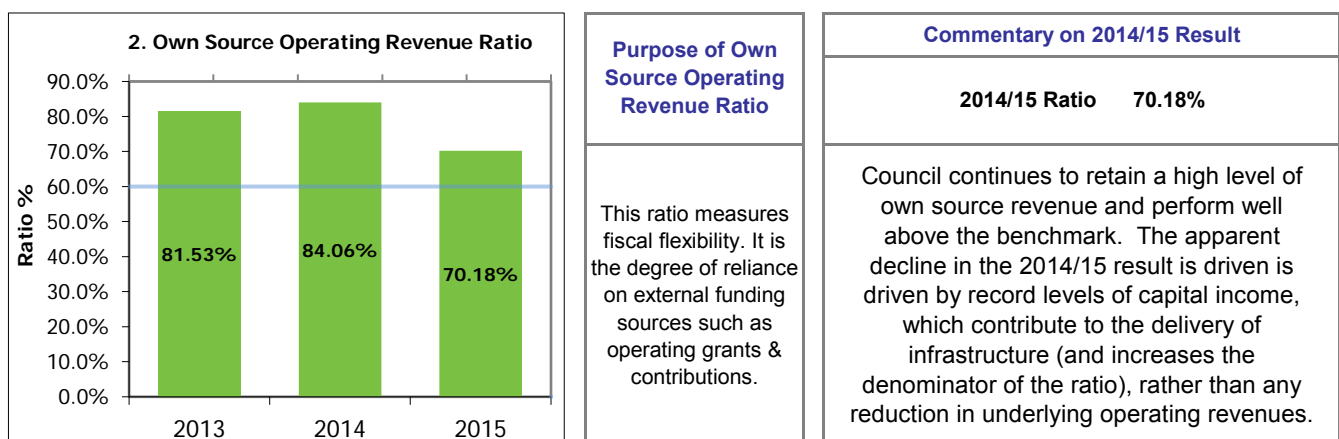
Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum $\geq 0.00\%$

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

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum $\geq 60.00\%$

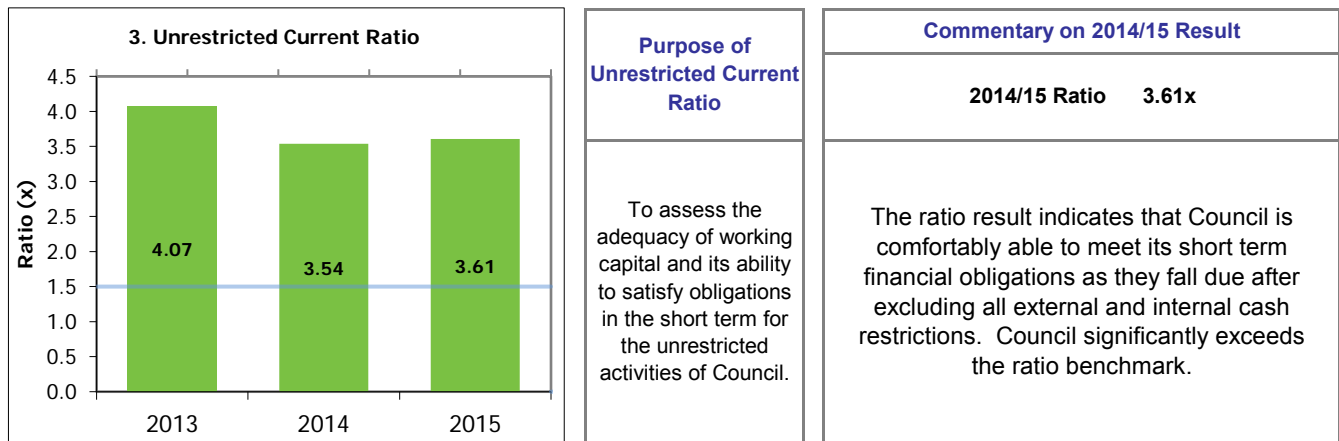
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark

City of Sydney

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

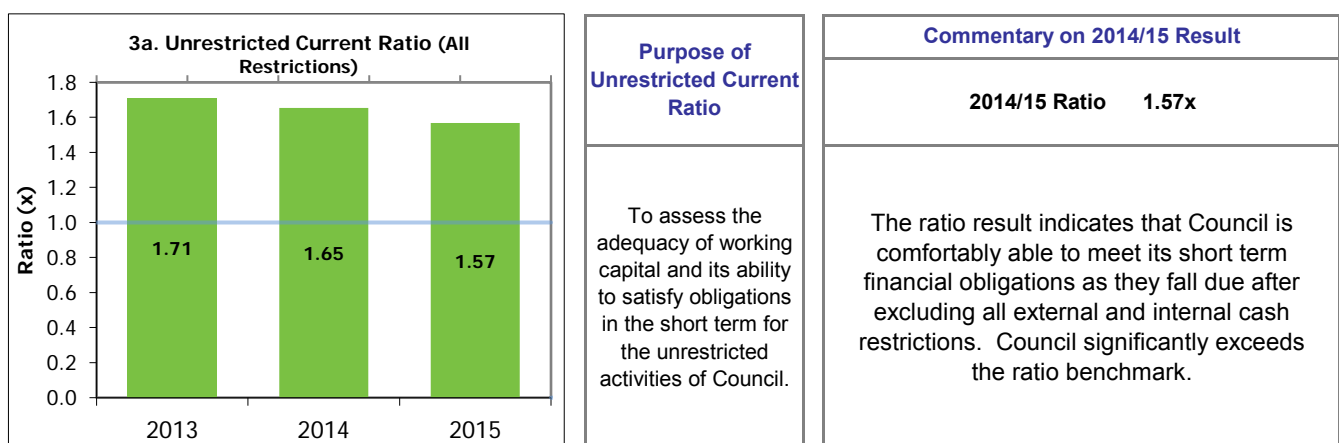
Note 13a(ii) Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: — Minimum ≥ 1.50

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

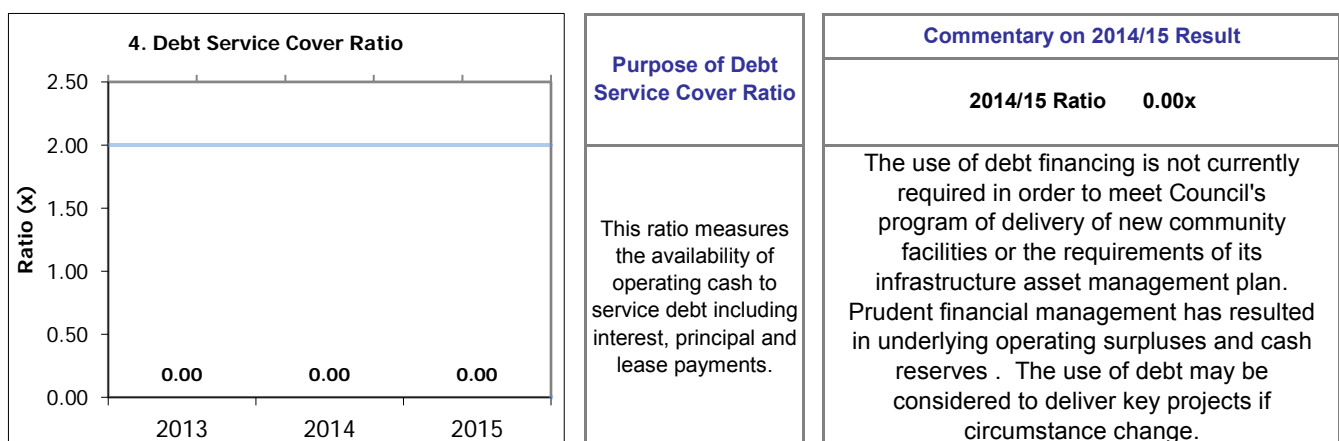
Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum ≥ 1.00

Source for Benchmark: City of Sydney Target Minimum

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: — Minimum ≥ 2.00

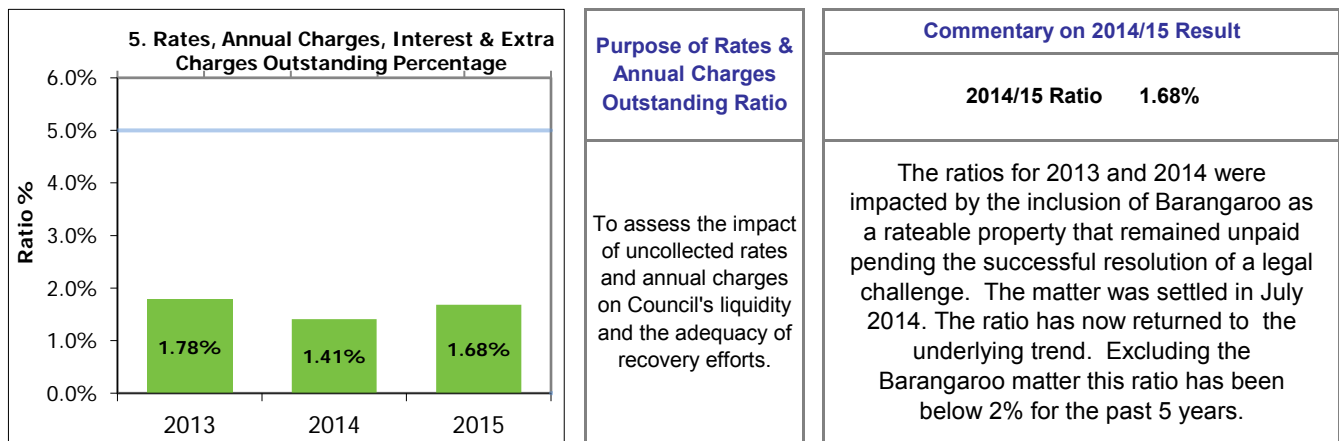
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
Ratio is outside Benchmark

City of Sydney

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

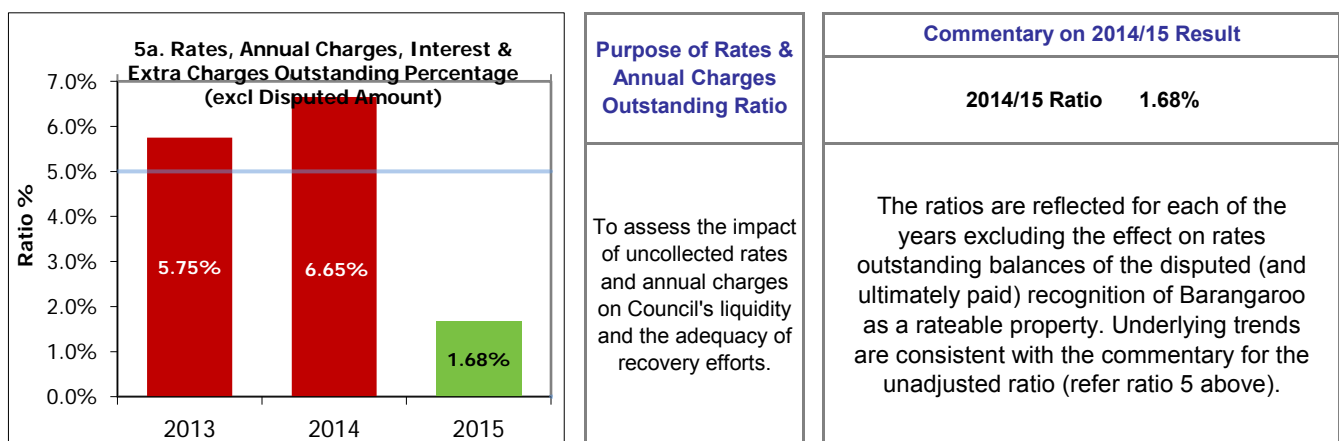
Note 13a(ii) Local Government Industry Indicators - Graphs (Consolidated)



Benchmark: ——— Maximum <5.00%

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

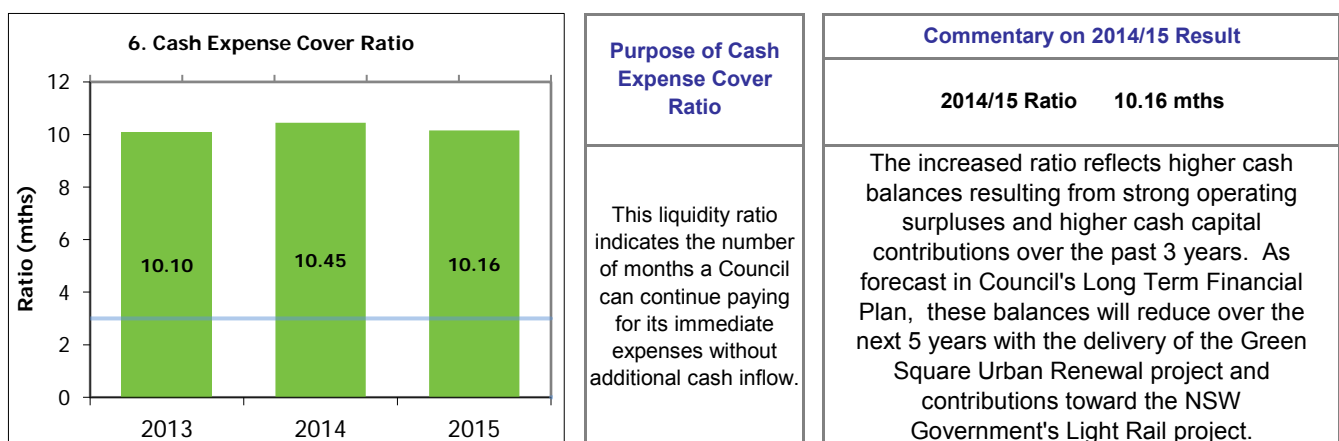
Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: ——— Maximum <5.00%

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

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: ——— Minimum >=3.00

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

Ratio is within Benchmark
Ratio is outside Benchmark

City of Sydney

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

Note 14. Investment Properties

\$ '000	Notes	Actual 2015	Actual 2014
(a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>204,090</u>	<u>201,430</u>
Reconciliation of Annual Movement:			
Opening Balance		201,430	194,005
- Capitalised Expenditure - this year		1,480	552
- Net Gain/(Loss) from Fair Value Adjustments		1,180	6,873
CLOSING BALANCE - INVESTMENT PROPERTIES		204,090	201,430

(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 2015 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	16,593	13,513
Later than 1 year but less than 5 years	43,974	38,455
Later than 5 years	15,785	16,009
Total Minimum Lease Payments Receivable	76,352	67,977

(e) Investment Property Income & Expenditure - summary

Rental Income from Investment Properties:		
- Minimum Lease Payments	15,569	14,971
Direct Operating Expenses on Investment Properties:		
- that generated rental income	(2,880)	(2,669)
Net Revenue Contribution from Investment Properties	12,689	12,302
plus:		
Fair Value Movement for year	1,180	6,873
Total Income attributable to Investment Properties	13,869	19,175

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 2015

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.

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 Council.

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	53,029	75,400	53,029	75,400
Investments				
- "Designated At Fair Value on Initial Recognition"	238,359	199,020	238,359	199,020
- "Held to Maturity"	333,000	292,000	333,000	292,000
Receivables	93,749	115,711	93,749	115,711
Total Financial Assets	718,137	682,131	718,137	682,131
Financial Liabilities				
Payables	87,514	73,413	87,514	73,413
Total Financial Liabilities	87,514	73,413	87,514	73,413

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 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's 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 & the Ministerial Investment Order (as revised). This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio, only purchasing investments with high credit ratings or capital guarantees, and by maintaining sufficient liquidity levels to ensure that investments subject to price fluctuations can be held until maturity at face value.

Council also seeks advice from independent advisers 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.

	2015		2014	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	23,836	23,836	19,902	19,902
Possible impact of a 1% movement in Interest Rates	6,167	6,167	5,571	5,571

City of Sydney

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

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

With the exception of a small number of property tenants, there are no material receivables that have been subjected to a re-negotiation of repayment terms.

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

		2015	2015	2014	2014
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %					
Current (not yet overdue)		0%	95%	0%	95%
Overdue		100%	5%	100%	5%
		100%	100%	100%	100%
		Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	-	89,512	-	96,063
1 - 2 years overdue	0 - 30 days overdue	4,406	133	19,145	426
> 2 & < 5 years overdue	30 - 60 days overdue	314	7	349	202
> 5 years overdue	> 90 days overdue	466	458	308	366
		5,186	90,109	19,801	97,057
(iii) Movement in Provision for Impairment of Receivables				2015	2014
Balance at the beginning of the year				1,147	900
+ new provisions recognised during the year				561	294
- amounts already provided for & written off this year				(162)	(47)
Balance at the end of the year				1,546	1,147

City of Sydney

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

Note 15. Financial Risk Management (continued)

(c) Payables & Borrowings

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

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

Payment terms can (in extenuating circumstances) also be extended & overdraft facilities utilised as required. set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	13,383	74,131						87,514	87,514
Total Financial Liabilities	13,383	74,131	-	-	-	-	-	87,514	87,514
2014									
Trade/Other Payables	11,782	63,088	-	-	-	-	-	74,870	73,413
Total Financial Liabilities	11,782	63,088	-	-	-	-	-	74,870	73,413

The above payables are not subject to interest rates.

Council had no borrowings at either balance date.

City of Sydney

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

Note 16. Material Budget Variations

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

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
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REVENUES

Interest & Investment Revenue	18,341	23,255	4,914	27%	F
Higher than anticipated cash balances over the year has had a positive effect on the interest earned. In addition, Council continued to out perform both the industry and its enhanced investment performance benchmarks. This was in part due to the acquisition over the last two or three years of investments with locked in higher yields. This situation is expected to gradually decline over the next 2 to 3 years as these investments steadily mature.					

Capital Grants & Contributions	48,211	202,793	154,581	321%	F
Developer and Planning Agreement contributions are driven by economic conditions. During the financial year activity in the LGA was significantly higher than anticipated. In addition, over \$100M was received in the form of dedications of land under roads and community land from developers. The major sites were Harold Park in Forest Lodge, the Green Square urban renewal area and Central Park in Chippendale.					

Net Gains from Disposal of Assets	-	8,281	8,281	0%	F
The disposal of a large property in Dunning Avenue, Rosebery that was surplus to operational needs resulted in a significant unanticipated gain on sale.					

EXPENSES

Other Expenses	105,904	97,256	8,647	8%	F
The contribution to the NSW Government's light rail project was, for funding purposes, budgeted as capital expenditure of \$19.6M. Under accounting standards, the contribution to the NSW Government is treated as an operating expense. Note that at the completion of the project, Council will receive public domain assets along the light rail route.					

BUDGET VARIATIONS RELATING TO COUNCIL'S CASH FLOW STATEMENT INCLUDE:

Cash Flows from Operating Activities	189,406	218,805	29,399	16%	F
The variation is primarily due to the large volume of unbudgeted capital contributions received during the reporting period.					

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	12,945	4,018	85	693	(2,540)	-	15,201	32,115	(47,317)	-	-
Traffic Facilities	1,638	233	-	16	-	-	1,887	233	(2,120)	-	-
Open Space/Public Domain	23,444	25,521	7,347	1,228	(12,335)	-	45,205	100,170	(145,375)	-	-
Community Facilities	32,614	3,646	-	1,136	(9,961)	-	27,435	21,874	(49,309)	-	-
Other	2,476	256	-	114	-	-	2,846	225	(3,071)	-	-
S94 Contributions - under a Plan	73,117	33,674	7,432	3,187	(24,836)	-	92,574	154,617	(247,192)	-	-
Total S94 Revenue Under Plans	73,117	33,674	7,432	3,187	(24,836)	-	92,574				-
S94 not under Plans	1,706	174	-	66	-	-	1,946	-	(1,946)	-	-
S93F Planning Agreements (VPAs, FSR)	85,952	10,394	17,614	717	(61,287)	-	53,389				
S61 Contributions	-	13,425	-	-	(13,425)	-	-				
Total Contributions	160,776	57,666	25,046	3,969	(99,548)	-	147,909	154,617	(249,138)	-	-
Cash Contribution Movement	92,935	66,591	-	3,969	(51,857)	-	111,638				
Section 94 (all plans)	70,848	33,788		3,253	(13,726)	-	94,163				
S93F Planning Agreements (VPAs, FSR)	22,087	19,378		717	(24,706)	-	17,475				
S61 Contributions	-	13,425		-	(13,425)	-	-				
Contributions Receivable Movement	67,841	(8,925)	25,046	-	(47,691)	-	36,271				
Section 94 (all plans)	3,975	59	7,432		(11,110)		357				
S93F Planning Agreements (VPAs, FSR)	63,866	(8,984)	17,614		(36,581)		35,914				
Total Contributions	160,776	57,666	25,046	3,969	(99,548)	-	147,909				

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	12,945	4,018	85	693	(2,540)	-	15,201	32,115	(47,317)	-	-
Traffic Facilities	1,618	233	-	15	-	-	1,867	233	(2,100)	-	-
Open Space/Public Domain	23,444	25,521	7,347	1,228	(12,335)	-	45,205	100,170	(145,375)	-	-
Community Facilities	32,614	3,646	-	1,136	(9,961)	-	27,435	21,874	(49,309)	-	-
Other	2,408	256	-	111	-	-	2,775	225	(3,000)	-	-
Total	73,029	33,674	7,432	3,183	(24,836)	-	92,483	154,617	(247,100)	-	-

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	20	-	-	1	-	-	20	-	(20)	-	-
Other	69	-	-	3	-	-	71	-	(71)	-	-
Total	88	-	-	3	-	-	92	-	(92)	-	-

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	77	-	-	3	-	-	80	-	(80)	-	-
Parking	762	-	-	28	-	-	790	-	(790)	-	-
Other	868	174	-	35	-	-	1,077	-	(1,077)	-	-
Total	1,706	174	-	66	-	-	1,946	-	(1,946)	-	-

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 Contributions

Ultimo Pyrmont (1994) Plan - contribution receipts forwarded to Sydney Harbour Foreshore Authority per note below

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Forwarded 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	-	-	-	-	-	-	-	-	(1,000)	(1,000)	
Open Space/Public Domain	-	713	-	-	(713)	-	-	-	-	-	
Total	-	713	-	-	(713)	-	-	-	(1,000)	(1,000)	-

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 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

1. Potential benefits to Council

- (i) In accordance with the Light Rail Development Agreement between Transport for NSW and Council, completed public domain assets, delivered as part of the CBD to South East Sydney light rail project, will be transferred to Council at a future date. The quantity, nature and value of these assets remain uncertain, as does the expected transfer date/s. Assets will be recognised at fair value at the time of transfer in future accounting period/s.
- (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. Potential claims

- (i) Council is currently investigating potential rectification requirements at one of its facilities. The potential cost of any rectification works has not yet been assessed. It is anticipated that the cost of any required rectification works required will be met under the relevant warranties and/or guarantees provided by the supplier
- (ii) Council is negotiating a deed of agreement with the administrators of a former construction contractor, in respect of incomplete/defective works. The value of Council's claim is approximately \$1M in Council's favour. The finalised terms of the deed are yet to be agreed by both parties, and timing and exact value of any settlement remain uncertain.

3. 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 2015, 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 \$600,000, are covered by external companies.

4. 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 (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.

5. Recovery Claim - Investment Losses

Council has received an offer from the liquidators of an investment securities firm in respect of investment losses incurred on Collateralised Debt Obligations (CDOs).

Whilst the final offered amount totals approximately \$2M, the claim is expected to be paid by a series of liquidation dividends over 2 to 3 years, which may total approximately 40 - 60% of the claim amount.

City of Sydney

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

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

6. Proposed Land Transfers between NSW Government Authorities 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.

7. 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.

8. S94 Plans and Planning Agreements

Council levies infrastructure contributions upon various development across the Council area through the requisite Contributions Plans (Section 94 and 61) and through Voluntary Planning Agreements (VPAs).

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purposes for which they were levied (per the respective plans and VPAs). These Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or, where a shortfall exists, by the use of Council's General Funds.

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.

9. Heritage Floor Space

Changes to the Sydney Development Control Plan (2012) proposed by Council may result in the award of Heritage Floor Space (HFS) to Council, subject to:

- a) Council, in its capacity as property owner, making application for the award of HFS on an eligible building
- b) That application being assessed by Council, in its capacity as statutory authority, as meeting the relevant criteria to allow award of HFS

A reliable valuation of any HFS awarded to/held by Council in the future is expected to prove difficult, as valuation will be contingent upon numerous volatile market conditions.

10. Fit for the Future Reforms

In June 2015, the City of Sydney submitted a Council Improvement Proposal to the Independent Pricing and Regulatory Tribunal of NSW, in accordance with the requirements of the NSW Government's Fit for the Future program. Council detailed the rationale for the City of Sydney to "stand alone" and not amalgamate with surrounding councils. At the time of reporting, assessment of this submission by the independent panel was ongoing.

The financial impact of any forced amalgamations and/or boundary changes associated with Fit for the Future cannot be quantified at this time.

City of Sydney

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

Note 19. Interests in Other Entities

Council has no interest in any Controlled Entities, Joint Arrangements or Associates.

Council has recorded assets over which it has control through legislative or contractual provisions.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
---------	-------	----------------	----------------

(a) Retained Earnings

Movements in Retained Earnings were as follows:

Balance at beginning of Year (from previous years audited accounts)		2,940,064	2,843,321
Net Operating Result for the Year		210,512	96,742
Balance at End of the Reporting Period		3,150,576	2,940,064

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		2,121,657	2,121,657
- Trust Asset Revaluation Reserve		2,346,537	2,346,537
Total		4,468,194	4,468,194

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance		2,121,657	2,093,652
- Revaluations for the year	9(a)	-	28,005
- Balance at End of Year		2,121,657	2,121,657.00

Trust Asset Revaluation Reserve

- Opening Balance		2,346,537	2,346,537
- Balance at End of Year		2,346,537	2,346,537

TOTAL VALUE OF RESERVES

4,468,194	4,468,194
------------------	------------------

(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 2015

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

		Actual	Actual
\$ '000	Notes	2015	2014

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

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

(d) Voluntary Changes in Accounting Policies

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

City of Sydney

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

Note 21. Financial Result & Financial Position by Fund

Council utilises only a General Fund for its operations.

City of Sydney

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

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

	2015	2015	2014	2014
\$ '000	Current	Non Current	Current	Non Current

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 2015

Note 23. Events occurring after the Reporting Date

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

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

Accordingly, the "authorised for issue" date is 26 October 2015.

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

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

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

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

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

The NSW Government in September 2015 announced plans to 'wind down' the Sydney Harbour Foreshore Authority and subsume its various activities into other government departments. The exact nature and timing of these changes are yet to be formally confirmed, and the potential impacts on Council cannot be quantified at this time.

City of Sydney

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

Note 24. Discontinued Operations

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 2015

Note 25. Intangible Assets

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

Council is unaware of control over any material 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 2015

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.

Asset/Operation	Net Present Value of Provision	
	2015	2014
Total Site Remediation estimated costs under the RAP	4,000	4,000
Balance at End of the Reporting Period	4,000	4,000

10(a)

City of Sydney

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

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- 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 Measurement Hierarchy			
		Level 1	Level 2	Level 3	Total
	Date of latest Valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/2015			238,359	238,359
Total Financial Assets		-	-	238,359	238,359
Investment Properties					
Investment property portfolio	30/06/2015			204,090	204,090
Total Investment Properties		-	-	204,090	204,090
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/2013			35,256	35,256
Office Equipment	30/06/2013			13,058	13,058
Furniture & Fittings	30/06/2013			29,464	29,464
Operational Land	30/06/2012			528,036	528,036
Community Land	30/06/2011			3,870,104	3,870,104
Land under Roads (post 30/6/08)	30/06/2014			103,354	103,354
Land Improvements - depreciable	30/06/2011			241,225	241,225
Buildings - Non Specialised	30/06/2012			676,174	676,174
Buildings - Specialised	30/06/2012			20,259	20,259
Other Structures - Trees	30/06/2012			88,187	88,187
Other Structures - Signs	30/06/2012			9,543	9,543
Other Structures - Poles and Lights	30/06/2012			8,491	8,491
Roads, Bridges, Footpaths	30/06/2012			870,045	870,045
Stormwater Drainage	30/06/2012			155,656	155,656
Heritage Collections	30/06/2011			6,618	6,618
Library Books	30/06/2011			2,691	2,691
City Art	30/06/2011			28,054	28,054
Total Infrastructure, Property, Plant & Equipment*		-	-	6,686,215	6,686,215

City of Sydney

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

Note 27. Fair Value Measurement

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "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 and Equipment totals exclude Work-in-progress \$181.7M (2014:\$148.0M)

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*.

(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 detailed on the following page.

City of Sydney

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

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

Financial Assets - Investments "Designated At Fair Value on Initial Recognition"

Council receives indicative market valuation advice from an independent external investment advisor. These indicative valuations are based upon recent, comparable, market-based evidence.

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 : 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.

City of Sydney

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

Note 27. Fair Value Measurement (continued)

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.

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:

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

(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.

END OF AUDITED GENERAL PURPOSE FINANCIAL STATEMENTS



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

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

Auditor's opinion

In our opinion:

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

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

PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
28 October 2015

2014-15



City of Sydney

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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2. Special Purpose Financial Statements:	
Income Statement - Other Business Activities	3
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
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 2015

Statement by Councillors and Management

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

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

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

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

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

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

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



Clover Moore
MAYOR



Robyn Kemmis
COUNCILLOR



Monica Barone
CHIEF EXECUTIVE OFFICER



Bill Carter
RESPONSIBLE ACCOUNTING OFFICER

City of Sydney

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Parking Stations

Category 1

\$ '000	Category 1	
	Actual 2015	Actual 2014
Income from continuing operations		
User charges	9,663	9,262
Total income from continuing operations	9,663	9,262
Expenses from continuing operations		
Employee benefits and on-costs	156	149
Materials and contracts	1,505	1,524
Depreciation and impairment	1,451	1,301
Calculated taxation equivalents	72	65
Other expenses	1,511	1,371
Total expenses from continuing operations	4,695	4,410
Surplus (deficit) from Continuing Operations before capital amounts	4,969	4,852
Surplus (deficit) from Continuing Operations after capital amounts	4,969	4,852
Surplus (deficit) from ALL Operations before tax	4,969	4,852
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,491)	(1,455)
SURPLUS (DEFICIT) AFTER TAX	3,478	3,396
plus Opening Retained Profits	66,250	61,334
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	72	65
- Corporate taxation equivalent	1,491	1,455
Closing Retained Profits	71,291	66,250
Return on Capital %	12.0%	12.6%

City of Sydney

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

	Parking Stations	
	Category 1	
\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Receivables	189	195
Total Current Assets	189	195
Non-Current Assets		
Infrastructure, property, plant and equipment	41,425	38,410
Inter-Entity Debtor	54,126	52,065
Total Non-Current Assets	95,551	90,475
TOTAL ASSETS	95,740	90,670
LIABILITIES		
Current Liabilities		
Payables	727	705
Provisions	50	48
Total Current Liabilities	777	753
Non-Current Liabilities		
Provisions	20	15
Total Non-Current Liabilities	20	15
TOTAL LIABILITIES	797	768
NET ASSETS	94,943	89,902
EQUITY		
Retained earnings	71,291	66,250
Revaluation reserves	23,651	23,651
Council equity interest	94,942	89,902
TOTAL EQUITY	94,942	89,902

CITY OF SYDNEY

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL REPORTS for the year ended 30 June 2015

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 2014-15 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 \$432,000 + 1.6% on \$432,000 to \$2,641,000 + 2% on taxable values above \$2,641,000
Payroll Tax	5.45% (\$750,000 threshold applied)

NOTES TO AND FORMING PART OF THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2015

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



The City of Sydney Council

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

Report on the financial statements

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

Councillors' responsibility for the financial report

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

Auditor's responsibility

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

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

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



Auditor's opinion

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

Basis of Accounting and Restriction on Distribution and Use

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

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

PricewaterhouseCoopers

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

Peter Buchholz
Partner

Sydney
28 October 2015



The Lord Mayor
Councillor Clover Moore
Council of the City of Sydney
DX 1251
SYDNEY

Dear Councillor Moore

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

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

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

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

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

Operating result

Council's operating surplus increased from \$97 million in the previous year to \$211 million in the current period. The net operating result before capital contributions was a surplus of \$8 million against the previous year's \$15 million.

Cash position

Council's overall cash position increased from \$566 million to \$624 million during the period under review. The following table highlights the composition of cash.

	2014 \$m	2015 \$m
Externally restricted	108	129
Internally restricted	379	389
Unrestricted	79	106
Total	566	624

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Working capital

Council's net current assets increased from \$303 million to \$308 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2014 \$m	2015 \$m
Net current assets	303	308
Less: External restrictions	(55)	(36)
Internal restrictions	(202)	(253)
Add: Current liabilities deferred	40	39
Available working capital	86	58

The effective unrestricted or available working capital upon which Council could build its 2016 budget was \$58 million.

Performance indicators

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

	2014 %	2015 %
Operating Performance Ratio	4	3
Own Source Operating Revenue Ratio	84	70
Unrestricted Current Ratio	354	361
Debt Service Cover Ratio	-	-
Rates Outstanding Ratio	6.7	1.7
Cash Expense Cover Ratio	10	10

The Operating Performance Ratio declined but remained above the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined to 70% but remained well above the industry benchmark of 60%. Operating Revenue represented a lower proportion of Total Income from Continuing Operations than in the previous year, largely as a result of significant asset dedications recognised by Council during the period (\$114 million).

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

The Debt Service Cover Ratio reflects the fact that Council is debt free.

The Rates Outstanding Ratio improved following the collection of a large disputed rate account and now stands significantly better than the benchmark of 5%.



The Cash Expense Cover Ratio indicates that Council could continue to cover its operating costs for 10 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

Council is considered to be in a very strong and stable financial position. All financial indicators are better than accepted industry benchmarks.

General

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

Yours faithfully

A handwritten signature in blue ink, likely belonging to a representative of PricewaterhouseCoopers.

PricewaterhouseCoopers

A handwritten signature in blue ink, likely belonging to P L Buchholz.

P L Buchholz
Partner

Sydney
28 October 2015