

**Meeting Date: Tuesday 27 September 2016**  
**Location: Council Chambers, Level 1A, 1 Pope Street, Ryde**  
**Time: 7.00pm**

*Council Meetings will be recorded on audio tape for minute-taking purposes  
as authorised by the Local Government Act 1993. Council Meetings will also be webcast.*

**NOTICE OF BUSINESS**

<b>Item</b>	<b>Page</b>
<b>LATE ITEM</b>	
7 DRAFT 2015/2016 FINANCIAL STATEMENTS.....	1

## **LATE ITEM**

### **7 DRAFT 2015/2016 FINANCIAL STATEMENTS**

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**Report prepared by:** Acting Chief Financial Officer  
**File No.:** FIM/07/6/4/2 - BP16/1115

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#### **REPORT SUMMARY**

This report is submitted to Council for its endorsement and referral of the Draft 2015/2016 Financial Statements to Council's auditors, PriceWaterhouseCoopers (PwC).

The report details the process for Council to adopt its 2015/2016 Financial Statements that includes advertising the 2015/16 Financial Statements and being placed on public exhibition for public comment, once Council receives the Auditor's report.

It is proposed that at its meeting on 25 October 2016, Council will receive a presentation from Council's Auditor, on the audited Financial Statements for 2015/2016, prior to consideration of their adoption.

Council's overall result for 2015/2016 is positive with a Net Operating Result for the year of \$79 million. However, this result is largely driven by the receipt of Capital Grants and Contributions, the revaluation of Council's investment properties, the recovery of previously written down investments and savings relating to Restricted items, that total \$75.38 million. A detailed explanation of Council's result is provided in this report.

The only issue that is currently being reviewed is whether the Civic Centre book value should be impaired and therefore written down, as a result of Council's resolution to vacate the site. This issue is still under consideration by Council's auditors and the result will affect both Council's Operating Result and Net Operating Result.

This matter will be clarified when Council's end of year result is reported to Council on the 25 October 2016.

#### **RECOMMENDATION:**

- (a) That pursuant to the provisions of Section 413 of the Local Government Act 1993, Council hereby declares that it has prepared General Purpose Financial Statements for the 2015/2016 financial year ending 30 June 2016 and has formed an opinion, based on the advice of Council officers, that these reports:
  - i. Have been prepared in accordance with:
    - The Local Government Act 1993 (as amended) and the Regulations made thereunder

**ITEM 7 (continued)**

- The Australian Accounting Standards and professional pronouncements
  - The Local Government Code of Accounting Practice and Financial Reporting.
- ii. Present fairly the operating result and financial position of the City of Ryde for the year ended 30 June 2016.
- iii. Accords with Council's accounting and other records and policies.
- (b) That the Special Purpose Financial Statements have been drawn up in accordance with the Local Government Code of Accounting Practice and Financial Reporting.
- (c) That the General and Special Purpose Financial Statements be certified by the Mayor, Deputy Mayor, General Manager and Responsible Accounting Officer (Chief Financial Officer) in accordance with section 413 (2)(c) of the Local Government Act 1993.
- (d) That pursuant to the provisions of Section 413 of the Local Government Act 1993, Council hereby declares that the Financial Statements (including General Purpose and Special Purpose Reports) for the year ending 30 June 2016 be referred for audit.
- (e) That Tuesday, 25 October 2016 be fixed as the date for the public meeting to present the audited financial statements and auditor's report for the year ended 30 June 2016 as required by section 419 of the Local Government Act 1993 and that the Council's external auditors be present.
- (f) That the following additional amounts be transferred to/(from) their respective reserves:
- Employee Leave Entitlement Reserve - \$1,019,950
  - Financial Securities Reserve - (\$5,185,670)
  - Investment Property Reserve - \$5,185,670
  - Accommodation Reserve - \$3,000,000
  - Asset Replacement Reserve - \$4,000,000

**ATTACHMENTS**

- 1 2015-2016 Income Statement - Draft
- 2 2015-2016 Statement of Comprehensive Income - Draft
- 3 2015-2016 Statement of Financial Position - Draft
- 4 2015-2016 Statement of Changes in Equity - Draft
- 5 2015-2016 Statement of Cash Flows - Draft
- 6 2015-2016 Draft Financial Statements

**ITEM 7 (continued)**

Report Prepared By:

**Christine Joyce**  
**Acting Chief Financial Officer**

Report Approved By:

**Jill Webb**  
**Acting Director - Corporate and Community Services**

**Roy Newsome**  
**Acting General Manager**

## **ITEM 7 (continued)**

### **Discussion**

#### Background

As prescribed under Section 413 of the Local Government Act 1993 Council is required to consider and resolve to refer the 2015/2016 Draft Financial Statements for audit as soon as practicable after the end of the year.

Following this resolution, Council will await the receipt of the auditor's report, which is anticipated to be received on 29 September 2016, and the Financial Statements will then be submitted to the Office of Local Government.

Advertising and public exhibition of both the audited Financial Statements and auditor's report, inviting members of the public to make comment, will commence on 5 October and end on 1 November 2016.

The proposed date of the Council meeting to adopt the 2015/2016 Financial Statements is 25 October 2016. Council's auditors and members of the Audit and Risk Committee will be present at that meeting to answer any questions on the Financial Statements and auditor's report. The auditors will also make a presentation on Council's financial performance for the year.

#### Report

Council's Draft Financial Statements for 2015/2016 have been prepared and are **ATTACHED** (Attachment 6).

The Draft 2015/2016 Financial Statements are attached to this report and have been prepared in accordance with the format required by the Local Government Act 1993, the Code of Accounting Practice issued by the Department of Local Government and the Australian Equivalents to the International Financial Reporting Standards (AIFRS).

These Draft Financial Statements are required to be audited in accordance with Sections 415, 416 and 417 of the Local Government Act.

The auditors have advised that the majority of their audit has been conducted and that the Financial Statements, as presented reflects a fair and reasonable assessment of Council's financial position as at 30 June 2016.

The Draft Financial Statements consist of the following General Purpose Financial Statements:

- |      |   |                   |
|------|---|-------------------|
| i.   | Income Statement                          | <b>(ATTACHED)</b> |
| ii.  | Statement of Comprehensive Income         | <b>(ATTACHED)</b> |
| iii. | Statement of Financial Position           | <b>(ATTACHED)</b> |
| iv.  | Statement of Changes in Equity            | <b>(ATTACHED)</b> |
| v.   | Statement of Cash Flows                   | <b>(ATTACHED)</b> |
| vi.  | Notes to the Financial Statements 1 to 27 |                   |

## **ITEM 7 (continued)**

It should be noted there may be minor or slight variances to the complete circulated document once checking is fully completed.

The Draft Financial Statements also include Draft Special Purpose Financial Statements. These relate to the following designated business activities of Council:

- Ryde Aquatic Leisure Centre
- Commercial Waste Removal

### Amendments to the Code of Accounting Practice and new Accounting Standards

There have been minor amendments to the Code of Accounting Practice published by the Office of Local Government for 2015/2016 and these have been incorporated into the Draft Financial Statements.

There were no new accounting standards adopted for 2015/2016. Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting period ending 30 June 2016 and Council has not adopted any of these standards early.

Note 1 of the Draft Financial Statements provides detailed commentary on the future effect of changes to Accounting Standards.

While there is no impact on the 2015/2016 Financial Statements, *AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities*, requires a framework for disclosures to commence from 1 July 2016.

From 1 July 2016, AASB 124 - Related Party Disclosures will apply to Council, meaning Council will be required to disclose information about related parties and Council transactions with those related parties.

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

### Annual Financial Statement's Process

The process that Council must follow in the production, audit, adoption and the advertising of the Financial Statements is prescribed in detail in Section 413 - 420 of the Local Government Act 1993. The following timetable will allow these processes to be satisfied and for the Financial Statements to be adopted by Council;

### **ITEM 7 (continued)**

- 27 September 2016 2015/2016 Draft Financial Statements presented to Council to refer the Draft Financial Statements to Audit.
- 29 September 2016 Auditor's report anticipated to be received by Council and Financial Statements submitted to the Office of Local Government.
- 5 October 2016 Public advertising notifying that the Financial Statements are available for inspection at the Civic Centre, Libraries and Council's Website until 1 November 2016. The advertisement also advises that the Financial Statements will be formally presented to Council on 25 October 2016 and submissions will be received until 1 November 2016.
- 25 October 2016 Audit & Risk Committee meet to discuss the final financial statements prior to the Council meeting, plus discuss them with the external auditor without staff present.
- 25 October 2016 Ordinary Council meeting – Presentation of Council's audited Financial Statements and auditor's report to Council.
- 1 November 2016 Closing date for public submissions on the Financial Statements. All submissions received will be referred to Council's auditor for consideration (Section 420(3)). Council may take such action as it considers appropriate with respect to any submissions received.

A full report on Council's financial position will be provided to Council at its meeting on 25 October 2016 and it is proposed that Council's auditors (PwC) make a presentation at that meeting on Council's financial performance for the year. Council's auditors and the member of the Audit and Risk Committee will be present at that meeting to answer any questions on the Financial Statements and auditors' report.

### Financial Performance

While the Annual Financial Statements are still subject to audit, the following is a summary of the City of Ryde's financial results which demonstrate Council's sound financial position.

The only issue that is currently being reviewed is whether the Civic Centre book value should be impaired and therefore written down, as a result of Council's resolution to vacate the site. This issue is still under consideration by Council's auditors and the result will affect both Council's Operating Result and Net Operating Result.

**ITEM 7 (continued)**

<b>Financial Results</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
<b>Operating Result</b>	\$12,234	\$15,571	\$41,003	\$79,084
<b>Operating Result Before Capital</b>	(\$5,795)	\$1,342	\$10,044	\$35,506
<b>Total Cash &amp; Investments</b>	\$91,877	\$105,958	\$137,752	\$178,043
<b>Internal Reserves</b>	\$52,830	\$55,800	\$73,214	\$82,913
<b>Working Capital</b>	\$4,264	\$4,310	\$4,963	\$4,517
<b>Assets under Management</b>	\$2.22B	\$2.57B	\$2.54B	\$2.56B

(1) Subject to audit confirmation

Performance Indicators

The following key performance indicators provide further information on Council's financial performance:

<b>Note 13 Performance Indicators</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016<sup>(1)</sup></b>
<b>Operating performance</b>	-6.21%	1.15%	8.53%	8.13%
<b>Own source operating revenue<sup>(2)</sup></b>	66.46%	82.04%	71.44%	67.03%
<b>Unrestricted current ratio</b>	3.03	3.59	5.03	4.29
<b>Debt service cover ratio<sup>(2)</sup></b>	28.29	27.26	20.86	11.93
<b>Rates &amp; annual charges outstanding</b>	3.93%	3.65%	3.84%	3.58%
<b>Cash expense cover ratio<sup>(2)</sup></b>	10.00	13.46	15.68	15.72

(1) Subject to audit confirmation

The indicators above reflect a strong financial position as at 30 June 2016. The overall operating result of \$79 million is \$82 million higher than budget. The following is a summary of the items contributing to this result:

1. Capital Grants and Contributions - \$44 million

In setting the annual budget, Council only budgets for known grants and contributions towards capital works. Section 94 contributions are not budgeted for on the basis that the level of contributions received varies greatly year on year. Three years ago Council averaged around \$1.5 million per year in Section 94 contributions, however the amounts received over recent years has increased significantly with \$38.6 million received in 2015/16.

In 2015/2016 Council also received \$1.9m for voluntary planning agreements and grants for stormwater improvement projects (\$317k) and lighting and CCTV in Eastwood (\$180k). Additionally, Council's 'Roads to Recovery' grant was \$685k more than anticipated and Council received \$1.16 million in transport grants from RMS for road resurfacing, road kerb renewal, cycleway construction and traffic management.



## **ITEM 7 (continued)**

While this income has a significant impact on the overall operating result, these funds are restricted and cannot be used for Council's ordinary operations nor does it impact on available Working Capital.

### **2. Fair Value Investment Properties - \$24.5 million**

Recognition in the Income Statement of increases in the value of investment properties is required by AASB140(75). These valuations are reviewed annually by a member of the Australian Property Institute and movements in value are recognised as Other Revenues.

As with Capital Grants and Contributions, this revenue does not affect Council's ordinary operations nor does it impact on available Working Capital.

### **3. User Charges and Fees - \$2.4 million**

The additional income received was predominantly related to environmental enforcement levies and other development assessment income which were, \$1.8 million and \$635k respectively, over budget. The original budgets for this type of income were conservative as they rely on the levels of development activity throughout the local government area which, in turn, remained high throughout the course of the year. The continuation of this level of activity in the City of Ryde is projected to decline over the 2016/17 year.

### **4. Gain on Disposal of Assets - \$2.1 million**

The majority of this budget variation relates to \$1,747K received for settlement of legal cases regarding Collateralised Debt Obligation investments.

A proportion of this income is related to interest earned on Section 94 funds and is restricted in external reserves which cannot be applied to Council's normal operations.

### **5. Interest on Investments - \$2 million**

During the 2015/2016 financial year the Reserve Bank of Australia cut official interest rates by 0.25% which occurred in May 2016. Overall, Council's interest rate earnings decreased slightly during the year, but higher than expected Section 94 contributions have resulted in additional interest income than was originally forecasted.

It should be noted that, as with point 4 above, a proportion of this income is related to interest earned on Section 94 funds and is therefore restricted in external reserves which cannot be applied to Council's normal operations.

**ITEM 7 (continued)****6. Other Expenses – \$3.8 million**

Other expenses were under budget due to savings against many of the items in this expenditure category. The most significant being;

- Street lighting \$0.5m
- Power \$0.7m
- Waste development tax \$0.13m
- Water rates \$0.2m

Additionally, a budget for \$0.33 million for recognition of interest due on deposits and retentions was incorrectly included in the 2015/2016 financial year.

**7. Employee Related Expenses - \$2.2 million**

Staff vacancies and high turnover rates resulted in an underrun in employee costs. The variation of \$2.2 million equates to an under spend of 5%.

Working Capital

Working Capital is one of Council's key financial indicators and a balance of around \$4 million is now considered prudent to manage Council's commitments and deliver on the 2016/2017 budget. Previously Council had adopted a minimum level of \$3 million for Working Capital.

As indicated above, not all budget variations relate to Council's general revenue and therefore do not impact on the level of available Working Capital. The unadjusted result for 2015/2016 was that the Working Capital balance at 30 June 2016 was \$12.5 million. When the projected Working Capital balance of \$4.5m is deducted the balance of \$8m (approximately) is recommended to be utilised as follows:

- Employee Leave Entitlement Reserve - \$1,019,950

Increases cash backing to 30% which provides for additional capacity to fund potential increases in staff turnover in an amalgamated council and better aligns funding with the demographic profile of staff in relation to projected resignations and retirements.

- Accommodation Reserve - \$3,000,000

Provides for a balance of \$15.4 million which will cover the projected costs of the leases at the North Ryde offices over the next five years.

- Asset Replacement Reserve - \$4,000,000

Provides for additional funding for replacement of critical assets such as information technology and infrastructure assets which are likely to require significant funding in the future, particularly if an amalgamation proceeds. Additionally, investment on asset renewal can be increased in accordance with identified requirements and priorities.

## ITEM 7 (continued)

The transfers to reserves as outlined above will result in an available Working Capital balance of \$4.5 million which is considered sufficient. It should be noted that Council utilised (\$0.285m) of Working Capital in its adoption of the 2016/17 Operating Plan, leaving a forecasted Working Capital of \$4.23 million as at 30 June 2017.

### Assets under Management

In 2015/2016 Council delivered a \$34 million Capital Works Program, with major projects including:

Catchment program	\$ 2.5 million
Centres and Neighbourhood program	\$ 4.0 million
Community and Cultural program	\$ 0.3 million
Foreshore program	\$ 0.9 million
Internal Corporate Services program	\$ 6.0 million
Library program	\$ 0.8 million
Open Space, Sport & Recreation program	\$ 5.1 million
Paths and Cycleways program	\$ 2.6 million
Property Portfolio program	\$ 1.4 million
Roads program	\$ 7.9 million
Traffic & Transport program	\$ 1.9 million
Waste and Recycling program	\$ 0.5 million
TOTAL	<u>\$33.9 million</u>

Council received no “contributed assets” this year which left Council’s Assets under Management at \$2.56 billion.

### Condition of Public Works

Council has undertaken a comprehensive asset management programme in order to improve asset management practices across the vast infrastructure assets within the City.

As stated earlier in the report, the City of Ryde owns and maintains over \$2.56 billion worth of infrastructure including roads, parks, buildings, stormwater drainage, bridges, footpaths, lighting, seawalls and wharves with a current written down value, after depreciation, of over \$2.25 billion. Of this total, \$1.5 billion is land.

### Investment Portfolio

The opening balance of the Financial Security Reserve for the 2015/2016 financial year was \$3.44 million. During the year, Council received \$1.748 million for settlement of legal cases regarding Collateralised Debt Obligation (CDO) investments leaving a closing balance of \$5.186 million. As there is no longer any exposure to CDOs or any other form of credit investments in Council’s investment portfolio, the

## **ITEM 7 (continued)**

Financial Security Reserve is no longer required. It is therefore recommended that the reserve be closed and the \$5.186 million balance be transferred to the Investment Property Reserve on the basis that the funds were originally provided from this reserve and that the anticipated expenditure on the planned property development will require this injection of funds.

### Consultation

Internal Council business units consulted included:

- Finance Unit
- All Service Units, especially Service Units in the Public Works Group relating to Council's assets and the condition assessment of all infrastructure

Internal Workshops held:

- Not Applicable

City of Ryde Advisory Committees consulted included:

- Audit Committee

External public consultation included:

- Council's auditors, PriceWaterhouseCoopers (PwC)
- Office of Local Government

### Critical Dates

Council's audited Financial Statements (including General and Special Purpose Financial Statements) are required to be prepared and audited within four (4) months after the end of that year, i.e. 31 October 2016.

In accordance with Section 418(2) of the Local Government Act 1993, Council must also fix the date for the meeting to present the audited Financial Statements and this meeting must be at least seven days after the date on which the notice is given, but not more than five weeks after the auditor's reports are given to Council.

The timetable outlined above will ensure Council complies with all the legislative requirements in the preparation and presentation of the Financial Statements.

**ITEM 7 (continued)****Financial Implications**

It should be noted that the Financial Statements included in this report are still subject to audit.

The only issue that is currently being reviewed is whether the Civic Centre book value should be impaired and therefore written down, as a result of Council's resolution to vacate the site. This issue is still under consideration by Council's auditors and the result will affect both Council's Operating Result and Net Operating Result.

The Working Capital result, which is one of Council's key financial indicators, is projected to be \$4.5 million as at the 30 June 2016 based on the reserve transfers recommended in this report, noting that Council utilised \$0.285 million of Working Capital in adopting its 2016/2017 Operational Plan. This leaves a forecasted Working Capital of \$4.23 million as at 30 June 2016.

The City of Ryde's final end of year result will be detailed in the report to Council on Tuesday, 25 October 2016 that will be submitted for Council's consideration in the adoption of the 2015/2016 Financial Statements.

ITEM 7 (continued)

ATTACHMENT 1

Draft General Purpose Financial Statements – Year Ended 30 June 2016

INCOME STATEMENT

Budget* 2016 (\$'000)		Notes	Actual 2016 (\$'000)	Actual 2015 (\$'000)
<b>INCOME FROM CONTINUING OPERATIONS</b>				
71,163	Rates and annual charges	3(a)	71,821	66,641
14,730	User charges and fees	3(b)	17,142	14,861
3,447	Interest and investment revenue	3(c)	5,420	4,811
7,274	Other revenues	3(d)	33,321	8,939
6,856	Grants & contributions provided for operating purposes	3(e&f)	7,218	6,932
806	Grants & contributions provided for capital purposes	3(e&f)	43,578	30,959
<b>Other Income:</b>				
-	Net gain from the disposal of assets	5	2,075	915
-	Net share of interests in joint ventures and associates using the equity method	19	-	-
<b>104,276</b>	<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>180,575</b>	<b>134,058</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
45,295	Employee benefits and on-costs	4(a)	43,124	39,538
248	Borrowing costs	4(b)	218	256
28,594	Materials and contracts	4(c)	28,600	25,618
15,585	Depreciation, amortisation and impairment	4(d)	15,723	14,778
17,807	Other expenses	4(e)	13,826	12,865
-	Interest and investment losses	3(c)	-	-
-	Net loss from the disposal of assets	5	-	-
-	Share of interests in joint ventures and associates using the equity method	19	-	-
<b>107,529</b>	<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>101,491</b>	<b>93,055</b>
<b>(3,253)</b>	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>79,084</b>	<b>41,003</b>
-	Operating result from discontinued operations	24	-	-
<b>(3,253)</b>	<b>NET OPERATING RESULT FOR THE YEAR</b>		<b>79,084</b>	<b>41,003</b>
<b>(4,059)</b>	<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES</b>		<b>35,506</b>	<b>10,044</b>

\* Original budget as approved by Council - Refer Note 16

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

**ITEM 7 (continued)**

**ATTACHMENT 2**

**Draft General Purpose Financial Statements – Year Ended 30 June 2016**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2016 (\$'000)	2015 (\$'000)
<b>Net operating result for the year - from Income Statement</b>		79,084	41,003
<b>Other comprehensive income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	20(b)	(5,545)	77,909
Adjustment to correct prior period errors	20(d)	(17,248)	(6,434)
<b>Amounts which will be reclassified subsequently to operating result when specific conditions are met.</b>			
Realised available-for-sale investment gains recognised in revenue	20(b)	-	-
Gain (loss) on revaluation of available-for-sale investments	20(b)	-	-
<b>Total other comprehensive income for the year</b>		<u>(22,793)</u>	<u>71,475</u>
<b>Total comprehensive income for the year</b>		<u>56,291</u>	<u>112,478</u>
Attributable to:			
- Council		56,291	112,478
- Non-controlling interests		-	-

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

**ITEM 7 (continued)**
**ATTACHMENT 3**
**Draft General Purpose Financial Statements – Year Ended 30 June 2016**
**STATEMENT OF FINANCIAL POSITION**

	Notes	2016		2015	
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6(a)	9,464		14,305	
Investments	6(b)	91,248		90,704	
Receivables	7	8,835		8,314	
Inventories	8	646		618	
Other	8	3,020		798	
Non-current assets classified as held for sale	22	-		-	
<b>Total current assets</b>			113,213		114,739
<b>Non-current assets</b>					
Investments	6(b)	77,331		32,743	
Receivables	7	936		1,064	
Inventories	8	-		-	
Infrastructure, property, plant and equipment	9	2,255,433		2,245,889	
Investments accounted for using equity method	19	-		-	
Investment property	14	114,315		105,628	
Intangible assets	25	-		-	
Other	8	-		-	
<b>Total non-current assets</b>			2,448,015		2,385,324
<b>TOTAL ASSETS</b>			<u>2,561,228</u>		<u>2,500,063</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	10(a)	24,901		19,229	
Borrowings	10(a)	873		993	
Provisions	10(a)	11,897		10,868	
<b>Total current liabilities</b>			37,671		31,090
<b>Non-current liabilities</b>					
Payables	10(a)	-		-	
Borrowings	10(a)	3,503		5,241	
Provisions	10(a)	187		156	
<b>Total non-current liabilities</b>			3,690		5,397
<b>TOTAL LIABILITIES</b>			<u>41,361</u>		<u>36,487</u>
<b>NET ASSETS</b>			<u>2,519,867</u>		<u>2,463,576</u>
<b>EQUITY</b>					
Retained earnings	20	1,862,859		1,783,775	
Revaluation reserves	20	657,008		679,801	
Council equity interest			2,519,867		2,463,576
Minority equity interest			-		-
<b>TOTAL EQUITY</b>			<u>2,519,867</u>		<u>2,463,576</u>

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



ITEM 7 (continued)

ATTACHMENT 4

Draft General Purpose Financial Statements – Year Ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY

	Note	2016 (\$'000)					2015 (\$'000)						
		Retained Earnings	Asset Revaluation Reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity	Retained Earnings	Asset Revaluation Reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity
Opening balance	20	1,783,775	679,801		2,463,576	-	2,463,576	608,326			2,351,098	-	2,351,098
Correction of errors	20		(17,248)		(17,248)		(17,248)						
Changes in accounting policies													
Restated opening balance	20	1,783,775	662,553		2,446,328	-	2,446,328	608,326			2,351,098	-	2,351,098
Net operating result for the year	20	79,084			79,084		79,084				41,003		41,003
Other comprehensive income	20		(5,545)		(5,545)		(5,545)	71,475			71,475		71,475
Total comprehensive income	20	79,084	(5,545)		73,539	-	73,539	71,475			112,478	-	112,478
Closing balance	20	1,862,859	657,008		2,519,867	-	2,519,867	679,801			2,463,576	-	2,463,576

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

ITEM 7 (continued)

ATTACHMENT 5

Draft General Purpose Financial Statements – Year Ended 30 June 2016

STATEMENT OF CASH FLOWS

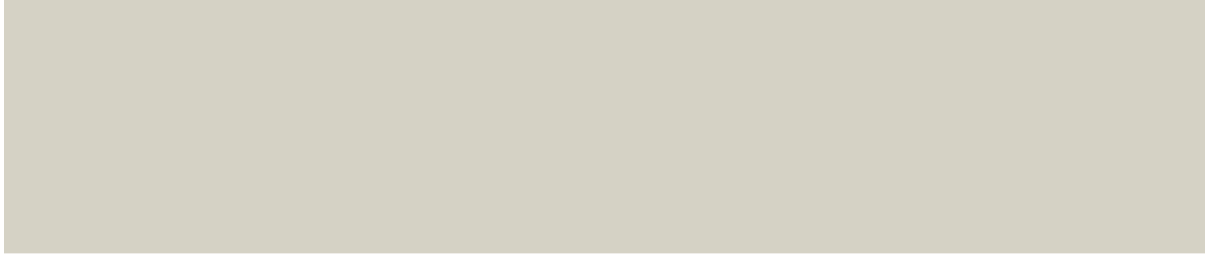
Original Budget* 2016 (\$'000)	Notes	2016		2015	
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
71,163	Rates & annual charges	71,737		66,383	
16,000	User charges & fees	18,509		16,307	
3,447	Investment revenue and interest	5,034		4,742	
7,151	Grants and contributions	51,445		39,483	
-	Deposits and retentions	4,477		2,359	
7,574	Other	6,354		6,506	
<b>Payments</b>					
(45,402)	Employee benefits and on-costs	(42,171)		(39,393)	
(30,996)	Materials and contracts	(28,756)		(28,518)	
(248)	Borrowing costs	(244)		(256)	
-	Deposits and retentions	(1,540)		(1,426)	
(19,339)	Other	(13,938)		(11,464)	
9,351	<b>Net cash provided (or used) in operating activities</b>	11(b)	70,907		54,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
90,704	Sale of investments	47,736		18,761	
-	Sale of investment property	-		-	
-	Sale of real estate assets	-		-	
1,183	Sale of infrastructure, property, plant and equipment	1,398		3,224	
-	Sale of interests in joint ventures/associates	-		-	
-	Proceeds from boundary Adjustment	-		-	
-	Other	-		-	
<b>Payments</b>					
(91,248)	Purchase of investments	(91,074)		(52,000)	
-	Purchase of investment property	(1,485)		(1,150)	
(36,070)	Purchase of property, plant and equipment	(30,465)		(25,665)	
-	Purchase of real estate	-		-	
-	Purchase of interests in joint ventures/associates	-		-	
-	Other	-		-	
(35,432)	<b>Net cash provided by (or used in) investing activities</b>		(73,890)		(56,830)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
425	Borrowings and advances	-		1,500	
-	Other	-		-	
<b>Payments</b>					
(1,008)	Borrowings and advances	(1,858)		(881)	
-	Lease liabilities	-		-	
-	Other	-		-	
(583)	<b>Net cash provided by (or used in) financing activities</b>		(1,858)		619
(26,664)	Net increase (decrease) in cash & cash equivalents		(4,841)		(1,488)
14,305	Cash & cash equivalents at beginning reporting pd	11(a)	14,305		15,793
(12,359)	<b>Cash &amp; Cash Equivalents at end of Reporting Pd</b>	11(a)	<u>9,464</u>		<u>14,305</u>

\* Original budget as approved by Council - Refer Note 16

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

**ITEM 7 (continued)**

**ATTACHMENT 6**



 City of Ryde

Lifestyle and opportunity @ your doorstep



**DRAFT General and  
Special Purpose  
Financial Statements**  
Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft General Purpose Financial Statements – Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft General Purpose Financial Statements – Year Ended 30 June 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>Council's Statement [s.413 (2)(c)]</b>	4
<b>General Purpose Financial Statements</b>	
• Income statement	5
• Statement of comprehensive income	6
• Statement of financial position	7
• Statement of changes in equity	8
• Statement of cash flows	9
<b>Notes to the financial statements for the year ended 30 June 2016</b>	
<b>Contents of the notes to the financial statements</b>	
Note 1 Summary of significant accounting policies	10 - 23
Note 2(a) Functions or activities	24
Note 2(b) Components of functions or activities	25 - 26
Note 3 Income from continuing operations	27 - 29
Note 4 Expenses from continuing operations	30 - 33
Note 5 Gain or loss from the disposal of assets	34 - 35
Note 6(a) Cash and cash equivalents	36
Note 6(b) Investments	37
Note 6(c) Restricted cash, cash equivalents & investments	38 - 39
Note 7 Receivables	40 - 41
Note 8 Inventories and other assets	42
Note 9(a) Infrastructure, property, plant and equipment	43
Note 9(b) Restricted infrastructure, property, plant and equipment	43
Note 10(a) Payables, borrowings, and provisions	44
Note 10(b) Description of and movements in provisions	45
Note 11 Reconciliation of operating result to net cash movement from operating activities	46 - 47
Note 12 Commitments for expenditure	48 - 49
Note 13(a) Statement of performance measures - consolidated results	50
Note 14 Investment properties	51
Note 15 Financial risk management	52 - 55
Note 16 Material budget variations	56 - 57
Note 17 Statement of developer contributions	58
Note 18 Contingencies	59 - 61
Note 19 Interests in joint ventures and associates	61
Note 20 Revaluation reserves and retained earnings	62
Note 21 Results by fund	63
Note 22 Non-current assets classified as held for sale	63
Note 23 Events occurring after balance sheet date	63
Note 24 Discontinued operation	64
Note 25 Intangible assets	64
Note 26 Reinstatement, rehabilitation and restoration liabilities	64
Note 27 Fair value measurement	65 - 67
<b>Auditor's Report [s.417 (2)] - Report on the financial statements</b>	68 - 69
<b>Auditor's Report [s.417 (3)] - Report on the conduct of the audit</b>	70 - 72

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft General Purpose Financial Statements – Year Ended 30 June 2016**

**STATEMENT BY COUNCILLORS AND MANAGEMENT**  
made pursuant to Section 413(2) (c) of the Local Government Act 1993 (as amended)

*Statement by Councillors to be added after Council Meeting 27/09/2016*

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft General Purpose Financial Statements – Year Ended 30 June 2016**

**INCOME STATEMENT**

<b>Budget*</b> <b>2016</b> <b>(\$'000)</b>		<b>Notes</b>	<b>Actual</b> <b>2016</b> <b>(\$'000)</b>	<b>Actual</b> <b>2015</b> <b>(\$'000)</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>				
71,163	Rates and annual charges	3(a)	71,821	66,641
14,730	User charges and fees	3(b)	17,142	14,861
3,447	Interest and investment revenue	3(c)	5,420	4,811
7,274	Other revenues	3(d)	33,321	8,939
6,856	Grants & contributions provided for operating purposes	3(e&f)	7,218	6,932
806	Grants & contributions provided for capital purposes	3(e&f)	43,578	30,959
	<b>Other Income:</b>			
-	Net gain from the disposal of assets	5	2,075	915
-	Net share of interests in joint ventures and associates using the equity method	19	-	-
<b>104,276</b>	<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>180,575</b>	<b>134,058</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>				
45,295	Employee benefits and on-costs	4(a)	43,124	39,538
248	Borrowing costs	4(b)	218	256
28,594	Materials and contracts	4(c)	28,600	25,618
15,585	Depreciation, amortisation and impairment	4(d)	15,723	14,778
17,807	Other expenses	4(e)	13,826	12,865
-	Interest and investment losses	3(c)	-	-
-	Net loss from the disposal of assets	5	-	-
-	Share of interests in joint ventures and associates using the equity method	19	-	-
<b>107,529</b>	<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>101,491</b>	<b>93,055</b>
<b>(3,253)</b>	<b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>		<b>79,084</b>	<b>41,003</b>
-	Operating result from discontinued operations	24	-	-
<b>(3,253)</b>	<b>NET OPERATING RESULT FOR THE YEAR</b>		<b>79,084</b>	<b>41,003</b>
<b>(4,059)</b>	<b>NET OPERATING RESULT FOR THE YEAR BEFORE GRANTS &amp; CONTRIBUTIONS PROVIDED FOR CAPITAL PURPOSES</b>		<b>35,506</b>	<b>10,044</b>

\* Original budget as approved by Council - Refer Note 16

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft General Purpose Financial Statements – Year Ended 30 June 2016**

**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2016 (\$'000)	2015 (\$'000)
<b>Net operating result for the year - from Income Statement</b>		79,084	41,003
<b>Other comprehensive income</b>			
<b>Amounts which will not be reclassified subsequently to operating result</b>			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	20(b)	(5,545)	77,909
Adjustment to correct prior period errors	20(d)	(17,248)	(6,434)
<b>Amounts which will be reclassified subsequently to operating result when specific conditions are met.</b>			
Realised available-for-sale investment gains recognised in revenue	20(b)	-	-
Gain (loss) on revaluation of available-for-sale investments	20(b)	-	-
<b>Total other comprehensive income for the year</b>		<u>(22,793)</u>	<u>71,475</u>
<b>Total comprehensive income for the year</b>		<u><u>56,291</u></u>	<u><u>112,478</u></u>
Attributable to:			
- Council		56,291	112,478
- Non-controlling interests		-	-

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



**ITEM 7 (continued)**
**ATTACHMENT 6**
**Draft General Purpose Financial Statements – Year Ended 30 June 2016**
**STATEMENT OF FINANCIAL POSITION**

	Notes	2016		2015	
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	6(a)	9,464		14,305	
Investments	6(b)	91,248		90,704	
Receivables	7	8,835		8,314	
Inventories	8	646		618	
Other	8	3,020		798	
Non-current assets classified as held for sale	22	-		-	
<b>Total current assets</b>			113,213		114,739
<b>Non-current assets</b>					
Investments	6(b)	77,331		32,743	
Receivables	7	936		1,064	
Inventories	8	-		-	
Infrastructure, property, plant and equipment	9	2,255,433		2,245,889	
Investments accounted for using equity method	19	-		-	
Investment property	14	114,315		105,628	
Intangible assets	25	-		-	
Other	8	-		-	
<b>Total non-current assets</b>			2,448,015		2,385,324
<b>TOTAL ASSETS</b>			<u>2,561,228</u>		<u>2,500,063</u>
<b>LIABILITIES</b>					
<b>Current liabilities</b>					
Payables	10(a)	24,901		19,229	
Borrowings	10(a)	873		993	
Provisions	10(a)	11,897		10,868	
<b>Total current liabilities</b>			37,671		31,090
<b>Non-current liabilities</b>					
Payables	10(a)	-		-	
Borrowings	10(a)	3,503		5,241	
Provisions	10(a)	187		156	
<b>Total non-current liabilities</b>			3,690		5,397
<b>TOTAL LIABILITIES</b>			<u>41,361</u>		<u>36,487</u>
<b>NET ASSETS</b>			<u>2,519,867</u>		<u>2,463,576</u>
<b>EQUITY</b>					
Retained earnings	20	1,862,859		1,783,775	
Revaluation reserves	20	657,008		679,801	
Council equity interest			2,519,867		2,463,576
Minority equity interest			-		-
<b>TOTAL EQUITY</b>			<u>2,519,867</u>		<u>2,463,576</u>

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

ITEM 7 (continued)

ATTACHMENT 6

Draft General Purpose Financial Statements – Year Ended 30 June 2016

STATEMENT OF CHANGES IN EQUITY

	Note	2016 (\$'000)					2015 (\$'000)						
		Retained Earnings	Asset Revaluation Reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity	Retained Earnings	Asset Revaluation Reserve	Other Reserves	Council Equity Interest	Non-controlling Interest	Total Equity
Opening balance	20	1,783,775	679,801		2,463,576	-	2,463,576	608,326			2,351,098	-	2,351,098
Correction of errors	20		(17,248)		(17,248)		(17,248)						
Changes in accounting policies													
Restated opening balance	20	1,783,775	662,553		2,446,328	-	2,446,328	608,326			2,351,098	-	2,351,098
Net operating result for the year	20	79,084			79,084		79,084				41,003		41,003
Other comprehensive income	20		(5,545)		(5,545)		(5,545)	71,475			71,475		71,475
Total comprehensive income	20	79,084	(5,545)		73,539	-	73,539	71,475			112,478	-	112,478
Closing balance	20	1,862,859	657,008		2,519,867	-	2,519,867	679,801			2,463,576	-	2,463,576

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

ITEM 7 (continued)

ATTACHMENT 6

Draft General Purpose Financial Statements – Year Ended 30 June 2016

STATEMENT OF CASH FLOWS

Original Budget* 2016 (\$'000)	Notes	2016		2015	
		(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Receipts</b>					
71,163	Rates & annual charges	71,737		66,383	
16,000	User charges & fees	18,509		16,307	
3,447	Investment revenue and interest	5,034		4,742	
7,151	Grants and contributions	51,445		39,483	
-	Deposits and retentions	4,477		2,359	
7,574	Other	6,354		6,506	
<b>Payments</b>					
(45,402)	Employee benefits and on-costs	(42,171)		(39,393)	
(30,996)	Materials and contracts	(28,756)		(28,518)	
(248)	Borrowing costs	(244)		(256)	
-	Deposits and retentions	(1,540)		(1,426)	
(19,339)	Other	(13,938)		(11,464)	
9,351	<b>Net cash provided (or used) in operating activities</b>	11(b)	70,907		54,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Receipts</b>					
90,704	Sale of investments	47,736		18,761	
-	Sale of investment property	-		-	
-	Sale of real estate assets	-		-	
1,183	Sale of infrastructure, property, plant and equipment	1,398		3,224	
-	Sale of interests in joint ventures/associates	-		-	
-	Proceeds from boundary Adjustment	-		-	
-	Other	-		-	
<b>Payments</b>					
(91,248)	Purchase of investments	(91,074)		(52,000)	
-	Purchase of investment property	(1,485)		(1,150)	
(36,070)	Purchase of property, plant and equipment	(30,465)		(25,665)	
-	Purchase of real estate	-		-	
-	Purchase of interests in joint ventures/associates	-		-	
-	Other	-		-	
(35,432)	<b>Net cash provided by (or used in) investing activities</b>		(73,890)		(56,830)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Receipts</b>					
425	Borrowings and advances	-		1,500	
-	Other	-		-	
<b>Payments</b>					
(1,008)	Borrowings and advances	(1,858)		(881)	
-	Lease liabilities	-		-	
-	Other	-		-	
(583)	<b>Net cash provided by (or used in) financing activities</b>		(1,858)		619
(26,664)	Net increase (decrease) in cash & cash equivalents		(4,841)		(1,488)
14,305	Cash & cash equivalents at beginning reporting pd	11(a)	14,305		15,793
(12,359)	<b>Cash &amp; Cash Equivalents at end of Reporting Pd</b>	11(a)	<u>9,464</u>		<u>14,305</u>

\* Original budget as approved by Council - Refer Note 16

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Basis of preparation**

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

**(i) New and amended standards adopted by Council**

There have been no new accounting standards adopted in this year's financial statements.

**(ii) Early adoption of standards**

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

**(iii) Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

**(iv) Significant accounting estimates and judgements**

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment 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.

**(v) Critical accounting estimates and assumptions**

City of Ryde 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.

**(vi) 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) Valuation of Infrastructure assets  
Council employs a number of staff that possess Tertiary qualifications in Engineering. Those staff are also responsible for estimating the cost of construction of new infrastructure works, especially for works done in-house. Using this expertise Council has revalued its infrastructure assets to the cost of replacing those assets in-house. Those estimates are based on recent actual costs to replace infrastructure assets by Council.

The same staff are also responsible for estimating the useful lives of infrastructure assets, based on their experiences and similar assets in other Council areas.

The changes, based on these judgements, impact the amount of depreciation.

**ITEM 7 (continued)****ATTACHMENT 6****Draft Notes to the financial statements 30 June 2016****(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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 transaction and the specifics of each arrangement.

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

**Rates, annual charges, grants and contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

**User charges and fees**

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

**Sale of plant, property, infrastructure and equipment**

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

**Interest**

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

**Rent**

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

**(c) Principles of consolidation****(i) The Consolidated Fund**

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

**(ii) The Trust Fund**

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**(d) Leases**

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance cost. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

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

**(e) Impairment of assets**

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**(f) Cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(g) Inventories**

**(i) Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs include the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw material. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(ii) Inventory held for distribution**

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

**(iii) Land held for resale/capitalisation of borrowing costs**

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

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

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

**(h) Non-current assets (or disposal groups) held for sale and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation in a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

**(i) Investments and other financial assets**

**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held to maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit and loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

**(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 reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the statement of financial position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

**(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current asset, except 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 reporting 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.

**Financial assets - reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Council may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future and until maturity at the date of classification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

**Recognition and de-recognition**

Regular purchases and sales of financial assets are recognised on trade-date: the date on which the Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

**Subsequent measurement**

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

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

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

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



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

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

**Impairment**

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. 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.

**(i) Assets carried at amortised cost**

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. 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.

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 uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

**Investment Policy**

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW). 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 the care, diligence and skill that a prudent person would exercise in investing Council funds.

**(j) Fair value estimation – financial instruments**

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

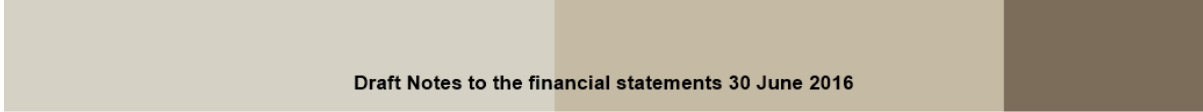
The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

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 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

**ITEM 7 (continued)**

**ATTACHMENT 6**



**Draft Notes to the financial statements 30 June 2016**

discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

**(k) Infrastructure, property, plant and equipment (IPPE)**

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At balance date the following classes of IPPE were stated at their fair value:

- Operational land (External Valuation).
- Buildings – Specialised/Non Specialised (External Valuation).
- Plant and equipment (as approximated by depreciated historical cost).
- Road assets – roads, bridges and footpaths (Internal Valuation).
- Drainage assets – (Internal Valuation).
- Bulk earthworks – (Internal Valuation).
- Community land – (External Valuation).
- Land Improvements (as approximated by depreciated historical cost).
- Other structures (as approximated by depreciated historical cost).
- Other assets (as approximated by depreciated historical cost).

Council utilises a condition basis for calculating depreciation, which determines the remaining useful life and loss of future benefit, based on its condition. To support this, Council has also commenced a rolling inspection of its infrastructure assets, plus reviews as part of its ongoing maintenance works, so that condition data is kept as current as possible.

Whilst this is not true "condition based" depreciation, Council, in adopting this new method of depreciation, has broken each of its asset categories into five condition ratings. Within each of these condition ratings, Council has reviewed and determined both the useful life and loss of future benefit, while the asset traverses through that condition rating. Therefore in each condition rating the asset will have a straight line depreciation, which will increase as the condition rating increases and the condition of the asset decreases. Condition 5 represents those assets that are due for renewal, but are still in service.

Depreciation is no longer a representation of the inter-generational funding that is required for asset renewal, this funding model is represented by straight line depreciation over the useful life to the intervention point, being the end of Condition 4.

The following table sets out the range of useful lives and depreciation within each condition rating by asset category.



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

Asset Category	Useful life (range of years)					Total
	1	2	3	4	5	
Buildings – Specialised/Non Specialised	10	60	20	5 - 10	1 - 5	96 - 100
Drainage assets	5 - 20	15 - 130	10 - 40	5 - 15	5 - 10	40 - 200
Land Improvements	5	5	5	5	5	25
Other assets	1 - 5	1 - 25	1 - 10	1 - 5	1 - 5	5 - 50
Other structures	5 - 20	5 - 80	2 - 40	3 - 15	5	20 - 150
Plant and equipment						2 - 20
Road assets – roads, bridges and footpaths	5 - 20	2 - 130	2 - 50	3 - 20	5 - 20	17 - 200

Asset Category	Depreciation (range of %)					Total
	1	2	3	4	5	
Buildings – Specialised/Non Specialised	0.50%	0.83%	1.25%	1.50% - 3.00%		0.50% - 3.00%
Drainage assets	0.25% - 1.00%	0.38% - 1.67%	0.63% - 3.00%	1.00% - 7.00%		0.25% - 7.00%
Land Improvements	1.00%	9.00%	5.00%	3.00%	2.00%	1.00% - 9.00%
Other assets	1.00% - 5.00%	1.40% - 20.00%	2.00% - 30.00%	7.00% - 50.00%		1.00% - 50.00%
Other structures	0.25% - 1.00%	0.63% - 2.00%	0.63% - 5.00%	1.00% - 23.33%		0.25% - 23.33%
Plant and equipment						5.00% - 20.00%
Road assets – roads, bridges and footpaths	0.25% - 1.67%	0.38% - 5.00%	0.50% - 5.00%	0.75% - 23.33%		0.25% - 23.33%

Operational land was last valued as at June 2014. Council is of the opinion that the carrying amount of the asset would not differ materially had a revaluation occurred at the reporting date.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. In determining the useful lives and unit rates for each asset type, an "evidence" based approach has been taken. For most assets, there is no ready "tradeable" market, and councils are the major if not only provider of such assets (e.g. local roads and their drainage). In-house technical expertise is available and is used. The major exceptions are land and buildings, which are valued externally.

Where a condition review of assets discloses an error in the quantity of the asset, this will be adjusted as a prior period adjustment.

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

**(I) Investment property**

Investment property, principally comprising freehold buildings, car parks and blocks of units, are held for development to generate long-term rental yields and are not occupied by the Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location, or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair values are recorded in profit and loss as part of other income.

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

**(m) Payables**

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(n) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

**(o) Borrowing costs**

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

**(p) Provisions**

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

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

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

**(q) Employee benefits**

**(i) Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**(ii) Other Long term employee benefit obligations**

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

The obligations are presented as current liabilities in the Statement of financial position if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

**(iii) Retirement benefit obligations**

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the 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 the expected future wage and salary levels, 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 when they become payable.

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

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

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

The last valuation of the scheme was performed by Mr Richard Boyfield, FIAA on 24 February 2016 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$819,460.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$675,473 as at 30 June 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

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

Defined Contribution Plans

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**(r) Rounding of amounts**

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

**(s) Land under roads**

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB1051.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB116 Property, Plant and Equipment

**(t) Provisions for close down and restoration and for environmental clean-up costs - Tips and quarries**

**(i) Restoration**

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, e.g. 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 tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of 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 property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

**(ii) Rehabilitation**

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 reporting 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 reporting date. These costs are charged to the income statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost. Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**(u) 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, 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. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

**(v) New accounting standards and interpretations**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

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

**(i) AASB 9 – Financial Instruments**

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

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

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

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

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

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

**(ii) AASB 15 – Revenue from Contracts with Customers and associated amending standards**

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

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

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

**(iii) AASB ED 260 Income of Not-for-Profit Entities**

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

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

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

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

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

At this stage there is no specific date of release for a standard nor a date of applicability.

**(iv) AASB16 – Leases**

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

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

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

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

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

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

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

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

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

**(w) Crown Reserves**

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

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

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

**(x) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 2(a) FUNCTIONS OR ACTIVITIES

FUNCTIONS/ACTIVITIES	INCOME FROM CONTINUING OPERATIONS						EXPENSES FROM CONTINUING OPERATIONS						OPERATING RESULTS FROM CONTINUING OPERATIONS						GRANTS INCLUDED IN INCOME			TOTAL ASSETS HELD (CURRENT & NON-CURRENT)		
	Actual		Actual		Original		Actual		Actual		Original		Actual		Actual		Actual		Actual		Actual			
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015		
Calcium Program	28	508	4,103	3,705	3,171	(4,075)	(3,197)	(3,106)	407	204,594	200,680													
Centres And Neighbourhood Program	412	583	4,083	3,673	3,782	(3,671)	(3,090)	(3,188)	544	364	230													
Community And Cultural Program	1,759	1,809	4,466	4,243	3,951	(2,726)	(2,434)	(2,120)	701	705	230													
Customer And Community Relations Program	15	15	3,439	2,993	3,041	(3,425)	(2,978)	(3,028)																
Economic Development Program	6	4	427	239	427	(421)	(235)	(230)																
Environmental Program	19	6	538	547	465	(519)	(541)	(457)																
Foreshore Program			148	163	99	(148)	(163)	(99)																
Governance And Civic Program	10	6	3,475	3,395	3,320	(3,465)	(3,369)	(3,317)	190	152	447,732													
Internal Corporate Services Program	3,997	32,146	13,923	13,025	12,629	(9,924)	19,121	(5,294)																
Land Use Planning Program	123	40,541	1,250	1,178	1,134	(1,126)	39,363	26,975	6,066															
Library Program	982	1,036	6,291	5,564	5,393	(5,310)	(4,528)	(4,434)	283	280	1,088													
Open Space, Sport & Recreation Program	6,931	6,895	17,214	17,142	15,031	(10,284)	(10,247)	(8,325)	3	25	1,482,878													
Organisational Development Program	5	13	290	294	266	(285)	(281)	(253)																
Paths And Cycleway Program	56	252	2,700	2,178	2,057	(2,644)	(1,926)	(1,577)	252	1,701	35,208													
Property Portfolio Program	2,249	2,108	4,466	4,430	3,506	(2,217)	(2,322)	(1,335)																
Regulatory Program	7,496	10,779	8,140	7,595	6,444	(2,692)	(2,575)	(1,984)																
Risk Management Program	344	267	3,036	2,842	2,350	(2,692)	(2,575)	(1,984)																
Roads Program	3,041	3,562	9,070	9,239	7,830	(6,028)	(5,676)	(5,235)	1,583	559	388,919													
Strategic City Program	13	5	179	366	135	(166)	(366)	(130)																
Traffic & Transport Program	962	1,560	1,617	1,903	1,349	(655)	(343)	(497)	631	129	226													
Waste And Recycling Program	18,943	20,400	18,658	16,829	15,715	287	3,571	(201)	226	226	1,016													
<b>Total Functions &amp; Activities</b>	<b>47,391</b>	<b>122,490</b>	<b>407,529</b>	<b>401,491</b>	<b>393,055</b>	<b>(60,138)</b>	<b>20,999</b>	<b>(13,176)</b>	<b>4,821</b>	<b>10,207</b>	<b>2,561,228</b>													
<b>General Purpose Revenue</b>	<b>56,885</b>	<b>58,085</b>	<b>54,179</b>	<b>58,885</b>	<b>54,179</b>	<b>3,704</b>	<b>3,885</b>	<b>3,704</b>	<b>8,506</b>	<b>8,506</b>	<b>13,911</b>													
<b>Totals</b>	<b>104,276</b>	<b>180,575</b>	<b>107,529</b>	<b>101,491</b>	<b>93,055</b>	<b>(3,253)</b>	<b>79,084</b>	<b>41,003</b>	<b>8,506</b>	<b>13,911</b>	<b>2,561,228</b>													

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 2(b) COMPONENTS OF FUNCTIONS OR ACTIVITIES**

The activities relating to the Council's functions and activities reported on in Note 2 (a) are as follows:

**Catchment program**

Managing, monitoring and maintaining water quality and reuse of our stormwater and natural waterways.

**Centres and Neighbourhood program**

Developing, delivering, maintaining and managing our public domain infrastructure, facilities and place management.

**Community and Cultural program**

Managing all community services, community development, community buildings and events and driving cultural development.

**Customer and Community Relations program**

Engaging with our community, all media and community relations, branding and marketing our city and developing and managing all our customer services.

**Economic Development program**

Business sector and economic development.

**Environmental program**

Monitoring and managing our environmental performance, developing environmental policy and making our community aware of environmental impact.

**Foreshore program**

Managing all aspects of our foreshore.

**Governance and Civic program**

Supporting our mayor and councillors; through council process and civic events; and providing guidance on governance to support other areas of council.

**Internal Corporate Services program**

Developing and managing our information, records and corporate knowledge; implementing information technology, communications, business, financial and HR infrastructure and services. Managing our fleet and plant; planning and developing assets; all project management and administrative support.

**Land Use Planning program**

Planning, delivering and managing our land and urban design and enhancing and informing on our heritage.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 2(b) COMPONENTS OF FUNCTIONS OR ACTIVITIES (CONTINUED)**

**Library program**

Delivering all our library services.

**Open Space, Sport & Recreation program**

Developing, delivering, maintaining and managing all our sports, recreation, outdoor, open spaces and natural areas infrastructure, services and facilities.

**Organisational Development program**

Addressing workforce planning, driving culture and performance, assessing process efficiency and overseeing all corporate communications.

**Paths and Cycleways program**

Developing, managing and maintaining our footpaths and cycleways.

**Property Portfolio program**

Developing, managing and maintaining our portfolio of corporate, commercial and civic properties.

**Regulatory program**

Delivering all our regulatory assessments and activities, including building regulations, environmental regulations, road, parking and footpath enforcement and animal management.

**Risk Management program**

Managing all legal services, procurement and internal auditing, assessing and managing business continuity, risk and disaster management.

**Roads program**

Managing and maintaining our roads, bridges and retaining walls.

**Strategic City program**

Providing strategic direction and planning; and managing the reporting on our corporate performance.

**Traffic & Transport program**

Managing our transport, traffic and car parking; developing sustainable transport options.

**Waste and Recycling program**

Managing our domestic and commercial waste services, educating on and facilitating recycling and disposal services.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 3 INCOME FROM CONTINUING OPERATIONS**

	2016 (\$'000)	2015 (\$'000)
<b>(a) Rates and Annual Charges</b>		
<b>Ordinary rates</b>		
Residential	27,560	27,389
Business	15,023	13,959
Environmental management levy	6,605	6,388
<b>Total ordinary rates</b>	<b>49,188</b>	<b>47,736</b>
<b>Special rates</b>		
Macquarie park	1,331	1,299
Infrastructure special rate levy	2,362	-
<b>Total special rates</b>	<b>3,693</b>	<b>1,299</b>
<b>Annual charges (pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</b>		
Domestic waste management services	17,653	16,343
Non-rateable waste management charges	139	135
Stormwater management service charge	1,018	1,007
Section 611 charges	130	121
<b>Total annual charges</b>	<b>18,940</b>	<b>17,606</b>
<b>Total rates and annual charges</b>	<b>71,821</b>	<b>66,641</b>
Council has used 2013 valuations provided by the NSW Valuer General in calculating its rates.		
<b>(b) User charges and fees</b>		
<b>User charges (pursuant to s.502)</b>		
Aquatic centre	5,472	5,171
Sports facility rental	713	673
Hall hire	457	502
Road restorations	905	576
Gutter crossings	388	374
Commercial waste service	1,232	1,047
Other	167	89
<b>Total user charges</b>	<b>9,334</b>	<b>8,432</b>
<b>Fees</b>		
Regulatory/statutory fees	2,772	2,691
s603 certificates	161	171
Discretionary		
- Parking fees	1,256	1,171
- Environmental planning	3,038	1,719
- Private works	129	199
- Home maintenance & modification	82	104
- Other	370	374
<b>Total fees</b>	<b>7,808</b>	<b>6,429</b>
<b>Total user charges and fees</b>	<b>17,142</b>	<b>14,861</b>
<b>(c) Interest and investment revenue (losses)</b>		
Overdue rates & charges	168	177
Cash, cash equivalents and investments:		
- Externally restricted	1,608	929
- Internally restricted	-	-
- Unrestricted	3,619	3,673
Amortisation of discounts and premiums:		
- Investments held to maturity	25	32
<b>Total interest and investment revenue</b>	<b>5,420</b>	<b>4,811</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 3 INCOME FROM CONTINUING OPERATIONS (CONTINUED)**

	2016 (\$'000)	2015 (\$'000)		
<b>(d) Other revenues</b>				
Fair value increments - investment properties	24,450	450		
Rental income:				
- Investment property	560	483		
- Other property	1,876	1,838		
Parking fines	4,044	3,741		
Other fines	47	58		
Ex gratia rates	48	-		
Fuel tax credit	61	176		
Materials recycling	442	336		
Lease - telecommunications	112	121		
Legal fees recoveries				
- Rates	15	18		
- Other	118	43		
Insurance claims	-	154		
Staff vehicle leases and other payments	609	515		
Eastwood plaza	54	66		
Sundry sales	46	22		
Other	839	918		
<b>Total other revenue</b>	<b>33,321</b>	<b>8,939</b>		
			<b>OPERATING</b>	<b>CAPITAL</b>
	2016	2015	2016	2015
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	3,194	3,203	-	-
Pensioner rebate subsidy - rates	491	501	-	-
Total general purpose (untied)	3,685	3,704	-	-
<b>Specific purpose</b>				
Pensioner rebate subsidy - domestic waste	226	223	-	-
Macquarie park construction	-	-	-	6,000
Library	283	280	-	-
Home maintenance & modification	436	377	-	-
Stormwater improvement projects	-	-	317	-
DEEWR - Apprentice rebate scheme	6	-	-	-
Community staff funding	259	271	-	-
Street & traffic lighting	364	364	-	-
Roads To recovery	-	-	1,182	492
RMS transport	-	-	1,167	354
Parks grants	-	-	-	-
Waste education	-	3	-	-
Ryde Parramatta river walk	-	-	-	1,488
Environmental projects	-	-	100	-
WH&S incentive rebate	100	115	-	-
LIRS subsidy	82	66	-	-
Other	129	154	170	20
Total specific purpose	1,885	1,853	2,936	8,354
<b>Total grants</b>	<b>5,570</b>	<b>5,557</b>	<b>2,936</b>	<b>8,354</b>
<b>Comprising:</b>				
- Commonwealth funding	3,477	3,486	317	-
- State funding	2,093	2,071	2,619	8,354
- Other funding	-	-	-	-
	<b>5,570</b>	<b>5,557</b>	<b>2,936</b>	<b>8,354</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 3 INCOME FROM CONTINUING OPERATIONS (CONTINUED)**

	OPERATING		CAPITAL	
	2016 (\$'000)	2015 (\$'000)	2016 (\$'000)	2015 (\$'000)
<b>(f) Contributions</b>				
Developer contributions (s94)				
- Open space	-	-	26,636	12,669
- Parking	-	-	-	-
- Drainage	-	-	894	760
- Traffic facilities	-	-	3,637	2,027
- Other	-	-	163	100
- Community facilities	-	-	7,220	4,217
Voluntary planning agreements	-	-	1,875	2,275
Other councils	650	583	-	-
Community facilities	-	-	-	-
Community events	84	76	-	-
Other	84	-	183	370
RMS contributions				
- Roads & bridges	379	305	-	-
- Other	66	114	-	-
Buildings & property (in kind)	-	-	-	-
Buildings & property (in kind) - s94	-	-	-	-
Customer/resident contributions	-	-	34	48
LSL contributions from other councils	126	38	-	-
s94F affordable housing	-	-	-	139
DWM better waste and recycling fund	259	259	-	-
<b>Total Contributions</b>	<b>1,648</b>	<b>1,375</b>	<b>40,642</b>	<b>22,605</b>
<b>Total Grants &amp; Contributions</b>	<b>7,218</b>	<b>6,932</b>	<b>43,578</b>	<b>30,959</b>
		<b>2016</b>		<b>2015</b>
		<b>(\$'000)</b>		<b>(\$'000)</b>
<b>(g) Restrictions relating to grants and contributions</b>				
Certain grants and contributions are obtained by Council on the condition that they be spent in a specified manner:				
Grants and contributions recognised in the current reporting period which have not been spent		42,654		29,432
Less:				
Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period		12,754		15,666
<b>Net increase/(decrease) in restricted grants and contributions</b>		<b>29,900</b>		<b>13,766</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS**

	2016 (\$'000)	2015 (\$'000)
<b>(a) Employee Benefits &amp; On Costs</b>		
Salaries and wages	31,982	29,706
Employee leave entitlements	9,102	7,817
Superannuation	4,194	3,907
Workers' compensation insurance	1,069	1,134
Fringe benefits tax (FBT)	167	178
Training costs (excluding salaries)	289	219
Other	350	278
Less: capitalised costs	<u>(4,029)</u>	<u>(3,701)</u>
<b>Total employee costs expensed</b>	<u>43,124</u>	<u>39,538</u>
<b>Number of full time equivalent (FTE) employees</b>	<b>445</b>	<b>441</b>
<b>(b) Borrowing costs</b>		
Interest on overdrafts	-	-
Interest on loans	218	256
Charges on finance leases	-	-
Discounts recognised on financial instrument transactions	-	-
Amortisation of discounts and premiums		
- Investments held to maturity	-	-
- Remediation	-	-
Less: capitalised costs	<u>-</u>	<u>-</u>
<b>Total borrowing costs expensed</b>	<u>218</u>	<u>256</u>



**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (CONTINUED)**

	2016 (\$'000)	2015 (\$'000)
<b>(c) Materials and Contracts</b>		
Raw materials and consumables	2,057	1,420
Contractor and Consultancy Costs		
- Contractors - Roads and Footpaths Maintenance	1,599	1,192
- Contractors - Parks Maintenance	1,874	1,365
- Contractors - Waste Disposal, Collection and Recycling	11,247	11,359
- Contractors - Building Cleaning & Maintenance	660	598
- Contractors - Home Modification & Maintenance	198	177
- Contractors - Temporary and Agency Staff	2,419	1,366
- Contractors - Repairs and Maintenance	709	358
- Consultants Fees - Town Planning	792	903
- Consultants Fees - Open Space Planning	59	24
- Contractors - Electrical	615	479
- Contractors - Painting	215	72
- Contractors - Concrete Works	577	446
- Consultants Fees - Project Development Design	173	160
- Consultants Fees - Property	225	64
- Consultants Fees - Risk Management	157	69
- Contractors - Commercial Waste Services	186	116
- Contractors - Community Research	149	78
- Contractors - Events	384	387
- Contractors - External Roadwork	156	150
- Contractors - Fire Protection Services	108	178
- Contractors - Labour Hire	378	487
- Contractors - Mechanical Services	192	259
- Contractors - Security	426	388
- Contractors - Plumbing	205	297
- Contractors - Project Design & Construction	400	549
- Contractors - Shelf Ready Library Books	113	92
- Consultants Fees - IT	215	138
- Contractors - Parking Meter	121	157
- Plant Hire External	256	282
- Contractors - IT	88	150
- Contractors - RALC	140	82
- Consultants Fees - Community Engagement	69	102
- Consultants Fees - Heritage	64	30
- Contractors - Drainage Cleaning	62	30
Other Contractor and Consultancy Costs	2,313	2,588
Audit Fees:		
- Audit Services	58	77
- Other <sup>(1)</sup>	-	-
Legal Fees:		
- Planning & Development	22	32
- Other	326	90
Infringement Notice Contract (SEINS)	424	521
Other	-	-
Less: capitalised costs	(1,831)	(1,694)
<b>Total Materials &amp; Contracts</b>	<b>28,600</b>	<b>25,618</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (CONTINUED)**

(1) During the year the following fees were paid or payable for services provided by the Council's auditor – PriceWaterhouseCoopers

(i) Audit and other assurance services		
Audit and review of financial statements	58	57
Other assurance services:		
– Audit of regulatory returns	-	-
– Due diligence services	-	-
<b>Total remuneration for audit and other assurance services</b>	<b>58</b>	<b>57</b>
(ii) Taxation services		
Tax compliance services	-	-
<b>Total remuneration for taxation services</b>	<b>-</b>	<b>-</b>
(iii) Other Services		
Advice on Financial Projections	-	20
Attendance of Council meetings	-	-
<b>Total remuneration for other services</b>	<b>-</b>	<b>20</b>
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>58</b>	<b>77</b>

(d) Depreciation, Amortisation and Impairment	Depreciation/Amortisation		Impairment	
	2016 (\$'000)	2015 (\$'000)	2016 (\$'000)	2015 (\$'000)
Plant and equipment	2,439	2,498		
Office Equipment	1,235	1,075		
Furniture & fittings	131	212		
Property, plant and equipment leased	-	-		
Land improvements (depreciable)	517	517		
Buildings - specialised	650	650		
- non-specialised	919	875		
Infrastructure:				
- Roads, Bridges and Footpaths, Other Road Assets	6,364	5,761		
- Stormwater Drainage	1,630	1,507		
- Open space/recreational assets	1,214	1,076		
- Other Structures	223	151		
Other Assets:				
- Heritage Collections	-	-		
- Library Books	567	561		
<b>Total Depreciation Costs</b>	<b>15,889</b>	<b>14,883</b>	<b>-</b>	<b>-</b>
Less: Capitalised Costs/Impairment reversals	(166)	(105)		
<b>Total Depreciation and Total Impairment</b>	<b>15,723</b>	<b>14,778</b>	<b>-</b>	<b>-</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (CONTINUED)**

<b>(e) Other Expenses</b>	<b>2016</b>	<b>2015</b>
	<b>(\$'000)</b>	<b>(\$'000)</b>
Other expenses for the year		
include the following:-		
Fair value decrements - investment properties	-	-
Bad & doubtful debts	30	86
Mayoral fee	62	61
Councillors' fees	280	258
Councillors' (incl. Mayor) expenses	88	97
Election costs (excl. employee costs)	-	128
Interest on refundable deposits	33	352
Insurance	1,228	992
Insurance - Statewide Mutual provision	-	-
Street lighting	1,923	1,960
Communications costs	171	145
Contribution to fire control	1,583	1,528
Contribution to Dept of Planning	256	249
Contributions & donations - community grants	628	519
Waste development tax	4,212	3,220
Membership fees	191	148
Valuation fees	164	241
Electricity & heating	1,149	1,348
Water rates	367	392
Bank fees & charges	270	195
Property lease costs	313	4
Postage & courier costs	344	323
Advertising	351	469
Other expenses	198	161
Less: capitalised costs	(15)	(11)
<b>Total other expenses from continuing operations</b>	<u>13,826</u>	<u>12,865</u>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 5 GAIN OR LOSS FROM THE DISPOSAL OF ASSETS**

	2016 (\$'000)	2015 (\$'000)
<b>GAIN (OR LOSS) ON DISPOSAL OF STRATUM LAND</b>		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF OPERATIONAL LAND</b>		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF COMMUNITY LAND</b>		
Proceeds from disposal	55	834 <sup>(1)</sup>
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
<b>Gain (or loss) on disposal</b>	<u>55</u>	<u>834</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF PROPERTY</b>		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	<u>-</u>	<u>-</u>
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF PLANT &amp; EQUIPMENT</b>		
Proceeds from disposal	1,343	2,392
Less: Carrying amount of assets sold	<u>(1,058)</u>	<u>(2,293)</u>
<b>Gain (or loss) on disposal</b>	<u>285</u>	<u>99</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF REAL ESTATE ASSETS HELD FOR SALE</b>		
Proceeds from sales	-	-
Less: Cost of sales	<u>-</u>	<u>(28)</u>
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>(28)</u>
<b>GAIN (OR LOSS) ON DISPOSAL OF OFFICE EQUIPMENT</b>		
Proceeds from disposal	-	(2)
Less: Carrying amount of assets sold	<u>(9)</u>	<u>-</u>
<b>Gain (or loss) on disposal</b>	<u>(9)</u>	<u>(2)</u>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 5 GAIN OR LOSS FROM THE DISPOSAL OF ASSETS (CONTINUED)**

**LIBRARY BOOKS**

Proceeds from disposal	-	-
Less: Carrying amount of assets sold	-	-
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>

**GAIN (OR LOSS) ON DISPOSAL OF OTHER STRUCTURES - ROAD ANCILLARY**

Proceeds from disposal	-	-
Less: Carrying value of Works in Progress	(25)	-
<b>Gain (or loss) on disposal</b>	<u>(25)</u>	<u>-</u>

**GAIN (OR LOSS) ON DISPOSAL OF RBF - FOOTPATHS & CYCLEWAYS**

Proceeds from disposal	-	-
Less: Carrying value of Works in Progress	-	-
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>

**GAIN (OR LOSS) ON DISPOSAL OF WORKS IN PROGRESS**

Proceeds from disposal	-	-
Less: Carrying value of Works in Progress	-	-
<b>Gain (or loss) on disposal</b>	<u>-</u>	<u>-</u>

**GAIN (OR LOSS) ON DISPOSAL OF FINANCIAL ASSETS**

Proceeds from disposal <sup>(2)</sup>	5,766	1,011
Less: Carrying value of financial assets <sup>(3)</sup>	(3,997)	(999)
<b>Gain (or loss) on disposal</b>	<u>1,769</u>	<u>12</u>

**NET GAIN (OR LOSS) ON DISPOSAL OF ASSETS**

	<u>2,075</u>	<u>915</u>
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(1) This includes the sale of land under roads, which is Community Land.

(2) This does not include investments that are rolled over, in full, with the same ADI.

Gross amount including rolled over investments:

Proceeds from disposal <sup>(2)</sup>	CF	47,736	18,761
Less: Carrying value of financial assets <sup>(3)</sup>	6	(45,967)	(18,749)
<b>Gain (or loss) on disposal</b>		<u>1,769</u>	<u>12</u>

(3) This includes the settlement from legal action in regards to CDO investments.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 6(a) CASH AND CASH EQUIVALENTS**

<b>Notes</b>	<b>2016 (\$'000)</b>	<b>2015 (\$'000)</b>
Cash at bank and on hand	1,639	567
Deposits at call <sup>(1)</sup>	7,825	13,738
	<u>9,464</u>	<u>14,305</u>

<sup>(1)</sup> Includes term deposits with a term of less than 3 months

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 6(b) INVESTMENTS**

	2016		2015	
	Current (\$'000)	Non-Current (\$'000)	Current (\$'000)	Non-Current (\$'000)
Financial Assets at Fair Value through Profit and Loss	-	-	-	-
Held to Maturity Investments	91,248	77,331	90,704	32,743
Available for Sale Financial Assets	-	-	-	-
<b>Total</b>	<b>91,248</b>	<b>77,331</b>	<b>90,704</b>	<b>32,743</b>
<b>Financial Assets at Fair Value Through Profit and Loss</b>				
At beginning of year	-	-	-	-
Revaluation to income statement	-	-	-	-
Additions	-	-	-	-
Disposals (Sale/Redemption)	-	-	-	-
Reclassification	-	-	-	-
At end of year	-	-	-	-
<b>Held for Trading:</b>				
- Managed funds	-	-	-	-
- CDOs	-	-	-	-
- FRNs	-	-	-	-
- Listed equity securities	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Held to Maturity Investments</b>				
At beginning of year	90,704	32,743	51,500	38,665
Amortisation of discounts & premiums	13	12	-	32
Additions	32,750	58,324	33,250	18,750
Disposals	(43,967)	(2,000)	(17,750)	(999)
Impairment	-	-	-	-
Transfer to Current	11,748	(11,748)	23,704	(23,704)
<b>At end of year</b>	<b>91,248</b>	<b>77,331</b>	<b>90,704</b>	<b>32,744</b>
<b>Comprising of:</b>				
- CDOs	-	-	-	-
- FRNs	3,000	50,108	8,954	19,747
- Fixed Bonds	1,998	6,973	-	1,996
- Term Deposits <sup>(2)</sup>	86,250	20,250	81,750	11,000
<b>TOTAL</b>	<b>91,248</b>	<b>77,331</b>	<b>90,704</b>	<b>32,743</b>
<sup>(2)</sup> Does not include term deposits with a term of less than 3 months				
<b>Available for Sale Financial Assets</b>				
At beginning of year	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Impairment	-	-	-	-
Revaluation to income statement	-	-	-	-
At end of year	-	-	-	-
<b>Comprising of:</b>				
- Unlisted equity securities	-	-	-	-
- Equity Linked Notes	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 6(c) RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS**

	2016		2015	
	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
<b>Total cash, cash equivalents and investments</b>	<b>100,712</b>	<b>77,331</b>	<b>105,009</b>	<b>32,743</b>
External restrictions	23,263	67,489	27,000	32,743
Internal restrictions	73,071	9,842	73,214	-
Unrestricted	4,378	-	4,795	-
<b>Total</b>	<b>100,712</b>	<b>77,331</b>	<b>105,009</b>	<b>32,743</b>
	<b>Opening Balance</b>	<b>Transfers To</b>	<b>Transfers From</b>	<b>Closing Balance</b>
	<b>30 June 2015</b>	<b>Restriction</b>	<b>Restriction</b>	<b>30 June 2016</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>External restrictions</b>				
<b>Included in liabilities</b>				
Specific purpose unexpended loans				
RTA advances				
Self-insurance claims				
Other				
	-	-	-	-
<b>Other</b>				
Developer contributions (A)	43,398	42,033	(11,537)	73,894
Specific purpose unexpended grants (B)	6,669	545	(588)	6,626
Domestic waste management (C)	5,740	17,926	(16,690)	6,976
Stormwater management	749	1,020	(715)	1,054
Affordable housing contribution	139	-	-	139
LIRS	1,346	-	(469)	877
Macquarie Park special rate	1,147	1,332	(1,315)	1,164
Infrastructure special rate reserve	-	2,362	(2,342)	20
External works drainage contributions	555	76	(629)	2
<b>Total external restrictions</b>	<b>59,743</b>	<b>65,294</b>	<b>(34,285)</b>	<b>90,752</b>
<b>Total restricted grants and contributions</b>	<b>50,622</b>	<b>42,654</b>	<b>(12,754)</b>	<b>80,522</b>



**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 6(c) RESTRICTED CASH,CASH EQUIVALENT AND INVESTMENT  
(CONTINUED)**

	Opening Balance 30 June 2015 \$'000	Transfers To Restriction \$'000	Transfers From Restriction \$'000	Closing Balance 30 June 2016 \$'000
<b>Internal restrictions</b>				
Plant replacement reserve	2,874	2,207	(1,706)	3,375
Employee leave entitlements	2,456	1,704	(1,005)	3,155
Incomplete/carry over works and projects	873	1,209	(873)	1,209
Refundable deposits	9,699	3,285	-	12,984
Asset replacement reserve	33,328	4,456	(18,492)	19,292
Ryde Aquatic Leisure Centre	138	5,483	(4,997)	624
Investment property reserve	14,405	5,186	(1,224)	18,367
Accommodation reserve	-	18,234	(2,815)	15,419
Merger & transition reserve	-	5,267	-	5,267
Civic Centre precinct redevelopment reserve	947	-	(330)	617
Financial security reserve	3,438	1,748	(5,186)	-
Insurance fluctuation reserve	751	48	-	799
Fit for the future reserve	2,712	-	(2,712)	-
Risk rebate reserve	79	36	(4)	111
Other	1,514	379	(199)	1,694
<b>Total internal restrictions</b>	<b>73,214</b>	<b>49,242</b>	<b>(39,543)</b>	<b>82,913</b>
<b>Total restrictions</b>	<b>132,957</b>	<b>114,536</b>	<b>(73,828)</b>	<b>173,665</b>

- (A) Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans and voluntary planning agreements (VPAs)(See separate Note 17).
- (B) Grants which are not yet expended for the purposes for which the grants were obtained.
- (C) Domestic Waste Management funds are externally restricted assets which must be applied for the purposes for which they were raised.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 7 RECEIVABLES**

<u>Purpose</u>	2016		2015	
	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
Rates and annual charges	1,572	847	1,401	934
Rates interest & extra charges	166	89	195	130
User charges & fees				
Environmental & health	601	-	409	-
Restorations	138	-	130	-
Recreational facilities	251	-	241	-
Property & infrastructure works	97	-	94	-
Home modification service	21	-	28	-
Ryde Aquatic Leisure Centre	40	-	40	-
Interest on investments	1,693	-	1,332	-
Contributions to works	1	-	220	-
Government grants & subsidies	1,300	-	1,234	-
Commercial waste	461	-	363	-
GST	1,669	-	1,180	-
Asset sales	45	-	1,640	-
Workers compensation	24	-	5	-
Staff payments	-	-	-	-
Voluntary planning agreement	-	-	-	-
Fines	275	-	-	-
Other	887	-	72	-
<b>Total<sup>(1)</sup></b>	<b>9,241</b>	<b>936</b>	<b>8,584</b>	<b>1,064</b>
Less: <u>provision for impairment</u>				
- Rates and annual charges	-	-	-	-
- Interest and extra charges	-	-	-	-
- User charges and fees	406	-	270	-
- Government grants & subsidies	-	-	-	-
	<b>8,835</b>	<b>936</b>	<b>8,314</b>	<b>1,064</b>
<b>EXTERNALLY RESTRICTED RECEIVABLES (Included Above)</b>				
Domestic waste management <sup>(2)</sup>	-	-	-	-
<b>TOTAL RESTRICTED RECEIVABLES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>UNRESTRICTED RECEIVABLES</b>	<b>8,835</b>	<b>936</b>	<b>8,314</b>	<b>1,064</b>
<b>TOTAL RECEIVABLES</b>	<b>8,835</b>	<b>936</b>	<b>8,314</b>	<b>1,064</b>

(1) Total refers to Note 15

(2) Receivables for Domestic Waste are included in the transfers to/from the cash reserve, and if shown here would result in a duplication of the restriction.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 7 RECEIVABLES (CONTINUED)**

**Rates and Annual Charges**

Rates are secured by underlying properties.

Interest is charged on overdue rates at 8.5% (2015 8.5%). Rates are due for payment on 31 August, 30 November, 28 February and 31 May in each financial year. Overdue rates are those not paid within 1 day of the due date. The amount of the overdue debts upon which interest is charged is \$2,419,000 (2015 \$2,335,000)

**User Charges and Fees**

User charges and fees are unsecured. The credit risk for this class of debtor is 100% of the carrying value. A provision for doubtful debts in respect of the class of debtor has already been provided in an amount of \$406,000.

**Government Grants**

Government grants and subsidies (subject to terms and conditions of the relevant agreement) have been guaranteed.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 8 INVENTORIES & OTHER ASSETS**

	2016		2015	
	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)	<u>Current</u> (\$'000)	<u>Non-Current</u> (\$'000)
<b>(a) Inventories</b>				
Real estate	-	-	-	-
Stores and materials (refer <sup>(1)</sup> below)	646	-	618	-
Other	-	-	-	-
<b>Total inventories</b>	<b>646</b>	<b>-</b>	<b>618</b>	<b>-</b>
<b>(b) Inventories not expected to be realised within the next 12 months<sup>(1)</sup></b>	<b>446</b>	<b>-</b>	<b>329</b>	<b>-</b>
<b>(c) Other Assets</b>				
Prepayments	1,571	-	798	-
Prepayments - salaries and wages	824	-	-	-
Prepayments - waste alliance	625	-	-	-
<b>Total other assets</b>	<b>3,020</b>	<b>-</b>	<b>798</b>	<b>-</b>

**EXTERNALLY RESTRICTED INVENTORIES AND OTHER ASSETS**

NIL

<sup>(1)</sup> This represents a stockpile of material that is held at Porters Creek, made from recycled building materials and it will take more than 12 months for this to be used.

ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 9(a) & (b) INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

ASSET TYPE	At 30 June 2015				MOVEMENTS DURING THE YEAR						At 30 June 2016		
	Cost	Fair Value	Accumulated Depreciation & Impairment	Carrying Value	Revaluations	Transfers and Adjustments	Depreciation & Impairment	Gross Book Value	Accumulated Depreciation	Cost	Fair value	Accumulated Depreciation & Impairment	Carrying value
Plant and Equipment	26,026	14,858	11,168	8	182	1,058	2,439	-	-	-	26,322	15,902	10,420
Office Equipment	10,451	8,322	2,129	389	808	9	1,235	-	-	-	9,230	7,040	2,190
Furniture and Fittings	4,459	3,461	999	-	-	-	131	-	-	-	4,459	3,591	868
Leased Plant & Equipment	163	163	-	-	-	-	-	-	-	-	163	163	-
Land	102,333	-	102,333	-	-	-	-	-	-	-	102,333	-	102,333
- Operational Land	1,393,316	-	1,393,316	-	-	-	-	-	-	-	1,394,978	-	1,394,978
- Community Land	8,517	-	8,517	147	65	-	-	-	-	-	8,899	-	8,899
- Land Improvements (non-depr'n)	13,718	12,397	-	1	364	33	517	-	-	-	14,116	12,814	1,202
- Land Improvements (depr'n)	11,552	-	11,552	-	-	-	-	-	-	-	11,552	-	11,552
- Land Under Roads	105,616	62,382	43,234	294	4,565	-	919	(4,503)	1,247	-	106,245	64,547	41,698
Buildings	11,302	1,406	9,876	-	-	-	165	228	13	-	11,590	1,684	9,925
- Non-specialised	5,239	1,689	3,550	553	72	-	58	(533)	(386)	-	5,333	1,362	3,971
- Carports	10,516	2,953	7,563	818	4	-	290	(200)	(180)	-	11,048	3,003	8,045
- Other	-	-	-	38	39	-	-	-	-	-	96	-	96
Other Structures	295,441	76,239	219,202	6,235	76	25	4,805	(1,472)	(646)	-	300,759	80,398	220,361
- Roads, Bridges and Footpaths	6,947	3,420	3,527	180	68	-	118	(196)	44	-	7,072	3,382	3,490
- Road Pavement	4,335	1,743	2,592	204	41	-	54	(245)	54	-	4,335	1,797	2,538
- Road Ancillaries	59,429	9,241	50,187	1,525	1,171	-	456	(1,997)	324	-	62,009	10,021	51,988
- Bridges	100,971	12,504	88,467	166	88	-	641	(1,557)	203	-	102,792	13,348	89,444
- Footpaths and Cycleways	259,300	58,757	200,533	2,645	918	-	1,630	3,351	1,559	-	266,500	61,946	204,554
- Kerbs & Gutters	27,908	9,673	18,235	445	-	-	650	-	-	-	27,908	10,233	17,585
- Stormwater Drainage	65,339	11,574	53,765	1,199	293	-	1,214	(158)	(621)	-	66,675	11,968	54,707
- Swimming Pools	229	-	229	-	-	-	-	-	-	-	229	-	229
- Other Open Space/Recreational assets	3,182	1,974	1,208	445	-	-	567	-	-	-	3,204	2,119	1,085
Heritage Collections	12,285	-	12,285	-	(8,331)	-	-	-	-	-	-	-	13,274
- Library Books	12,285	-	12,285	-	-	-	-	-	-	-	-	-	-
Capital Works in Progress	12,285	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	2,526,440	292,836	2,245,989	14,867	17,295	1,092	15,889	(4,158)	1,387	13,274	2,547,847	305,688	2,255,433

NOTE 9(b) RESTRICTED INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

ASSET TYPE	Cost	Fair Value	Accumulated Depreciation & Impairment	Carrying Value	Revaluations	Transfers and Adjustments	Depreciation & Impairment	Gross Book Value	Accumulated Depreciation	Cost	Fair value	Accumulated Depreciation & Impairment	Carrying value
Includes DWM Restricted Assets	1,009	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	1,009	-	-	-	-	-	-	-	-	-	-	-	-

Includes investment properties and non-current assets held for sale.  
Revaluations are defined as replacements of existing assets as opposed to the acquisition of new assets.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 10(a) PAYABLES, BORROWINGS & PROVISIONS**

	2016		2015	
	Current (\$'000)	Non-Current (\$'000)	Current (\$'000)	Non-Current (\$'000)
<b>Payables</b>				
Goods and services	8,247	-	6,201	-
Payments received in advance	474	-	278	-
Payments received in advance - rates	490	-	340	-
Accrued expenses	2,619	-	982	-
Advances	-	-	-	-
Interest expenses	27	-	53	-
Deposits and retentions	12,985	-	9,996	-
Staff taxation payments	-	-	-	-
Staff salaries & wages	-	-	-	-
Trust account deposits	-	-	-	-
Deferred lease expense	21	-	-	-
Domestic waste	-	-	1,354	-
Other contributions	-	-	-	-
Other	38	-	25	-
<b>Total payables</b>	<b>24,901</b>	<b>-</b>	<b>19,229</b>	<b>-</b>
<b>Current payables not expected to be settled within the next 12 months</b>	<b>10,388</b>	<b>-</b>	<b>7,747</b>	<b>-</b>
<b>Borrowings</b>				
Bank overdraft	-	-	-	-
Loans - secured <sup>(1)</sup>	873	3,503	993	5,241
Loans - unsecured	-	-	-	-
Government advances	-	-	-	-
Ratepayers advances	-	-	-	-
Finance lease liability	-	-	-	-
Deferred payment liabilities	-	-	-	-
<b>Total borrowings</b>	<b>873</b>	<b>3,503</b>	<b>993</b>	<b>5,241</b>
<b>Provisions<sup>(2)</sup></b>				
Annual & other accrued leave	3,161	-	2,864	-
Sick leave	202	-	198	-
Long service leave	8,006	187	7,368	156
Employee leave entitlements on costs	-	-	-	-
Self insurance liabilities	-	-	-	-
Other employee provisions	528	-	438	-
<b>Total provisions</b>	<b>11,897</b>	<b>187</b>	<b>10,868</b>	<b>156</b>
<b>Total payables, borrowings and provisions</b>	<b>48,059</b>	<b>3,690</b>	<b>38,837</b>	<b>5,397</b>
<b>Current provisions not expected to be settled within the next 12 months</b>	<b>6,425</b>	<b>-</b>	<b>5,963</b>	<b>-</b>
<b>Liabilities relating to restricted assets</b>				
Domestic waste management	-	-	-	-
<b>Total restricted liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Liabilities relating to unrestricted assets	37,671	3,690	31,090	5,397
<b>Total</b>	<b>37,671</b>	<b>3,690</b>	<b>31,090</b>	<b>5,397</b>

<sup>(1)</sup> Loans are secured by the rating income of Council.

<sup>(2)</sup> Vested ELE is all carried as a current provision.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 10(b) DESCRIPTION OF AND MOVEMENTS IN PROVISIONS**

The movement in each class of provision is presented in the table below.

<b>Class of Provision</b>	<b>Opening Balance (\$'000)</b>	<b>Increase in Provision (\$'000)</b>	<b>Payments (\$'000)</b>	<b>Re- Measurement (\$'000)</b>	<b>Closing Balance (\$'000)</b>
Annual & Other Accrued Leave	2,864	2,908	2,611	-	3,161
Sick Leave	198	1,224	1,220	-	202
Long service leave	7,524	1,807	1,138	-	8,193
Other employee provisions	438	1,685	1,595	-	528
<b>Total</b>	<b>11,024</b>	<b>7,624</b>	<b>6,564</b>	<b>-</b>	<b>12,084</b>

ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT  
FROM OPERATING ACTIVITIES

(a) Reconciliation of Cash Assets

	Notes	2016 (\$'000)	2015 (\$'000)
Total cash and cash equivalents	6(a)	9,464	14,305
Less: bank overdraft	10	-	-
Balances as per statement of cash flow		<u>9,464</u>	<u>14,305</u>

(b) Reconciliation of net operating result to cash  
provided from operating activities

		2016 (\$'000)	2015 (\$'000)
Net operating result from income statement		79,084	41,003
Add:			
Depreciation and impairment	4	15,723	14,778
Impairment of investments	3	-	-
Increase in provision for doubtful debts	7	136	13
Increase in provision for leave entitlements	10	1,060	574
Increase in other provisions	10	-	-
Decrease in receivables	7	-	-
Decrease in inventories	8	-	-
Decrease in other current assets	8	-	-
Increase in payables	10	2,440	-
Increase in accrued interest payable	10	-	-
Increase in other current liabilities	10	1,819	1,703
Decrements from revaluations	4	-	-
Loss on sale of assets	5	-	-
Fair value adjustments to investment property	4	-	-
Amortisation of discounts & premiums recognised	3,4	-	-
Other	3,4	-	-
Less:			
Decrease in provision for doubtful debts	7	-	-
Decrease in employee leave entitlements	10	-	-
Decrease in other provisions	10	-	-
Increase in receivables	7	(529)	(716)
Increase in inventories	8	(28)	(129)
Increase in other current assets	8	(2,222)	(483)
Decrease in payables	10	-	(623)
Decrease in accrued interest payable	10	(26)	-
Decrease in other current liabilities	10	-	-
Reversal of previous revaluation decrements		-	-
Non cash contributions and dedications		-	-
Gain on sale of assets	5	(2,075)	(915)
Fair value adjustments to financial assets at fair value through profit and loss	6	-	-
Fair value adjustments to investment properties	3	(24,450)	(450)
Amortisation of discounts & premiums recognised	3	(25)	(32)
Non cash capital grants & contributions	3	-	-
<b>Net cash provided by (used in) operating activities</b>		<u>70,907</u>	<u>54,723</u>



**ITEM 7 (continued)**

**ATTACHMENT 6**



Draft Notes to the financial statements 30 June 2016

**NOTE 11 RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES (CONTINUED)**

	<b>2016 (\$'000)</b>	<b>2015 (\$'000)</b>
<b>(c) Non-Cash Financing and Investing Activities</b>		
Acquisition of plant & equipment by means of finance leases	-	-
S.94 contributions in kind	-	-
Dedications	-	-
	<u>-</u>	<u>-</u>
<b>(d) Financing Arrangements</b>		
Unrestricted access was available at balance date to the following lines of credit:		
Bank overdrafts facility	-	-
Corporate credit cards	40	40
	<u>40</u>	<u>40</u>



**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 12 COMMITMENTS FOR EXPENDITURE**

	2016 (\$'000)	2015 (\$'000)
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities:		
Buildings	1,500	-
Plant & equipment	-	-
Construction services	1,650	1,269
Tree planting	55	-
LED upgrade	-	113
Parks restorations	-	138
Park improvements	5,700	-
Seawall improvements	-	206
Street furniture	166	100
Streetscape upgrade	-	60
Granite paving	300	375
Stormwater/drainage	-	100
<b>Total</b>	<b><u>9,371</u></b>	<b><u>2,361</u></b>
These expenditures are payable:		
- Not later than one year	7,871	2,361
- Later than one year and not later than 5 years	1,500	-
- Later than 5 years	-	-
<b>Total</b>	<b><u>9,371</u></b>	<b><u>2,361</u></b>
<b>(b) Finance lease commitments</b>		
Commitments under finance leases at the reporting date are payable as follows:		
- Not later than one year	-	-
- Later than one year and not later than 5 years	-	-
- Later than 5 years	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>
Minimum lease payments	-	-
Less: future finance charge	-	-
<b>Lease liability</b>	<b><u>-</u></b>	<b><u>-</u></b>
Representing lease liabilities:		
- Current	-	-
- Non-Current	-	-
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 12 COMMITMENTS FOR EXPENDITURE (CONTINUED)**

**(c) Non-cancellable operating lease commitments**

Commitments under non-cancellable operating leases at 30 June 2016 but not recognised in the financial statements are payable as follows:

- Not later than one year	2,146	-
- Later than one year and not later than 5 years	8,327	-
- Later than 5 years	-	-
<b>Total<sup>(1)</sup></b>	<b><u>10,473</u></b>	<b><u>-</u></b>

**(d) Repairs and maintenance: investment property**

Contractual obligations for future repairs and maintenance

<b>Total</b>	<u>-</u>	<u>-</u>
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<sup>(1)</sup> This represents the leased premises at the North Ryde office.

ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 13(a) STATEMENT OF PERFORMANCE MEASURES – CONSOLIDATED RESULTS

	Amounts (\$'000)	Current Year Indicators	2015	2014
<b>1. Operating performance</b>				
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions – operating expenses	8,981	8.13%	8.53%	1.15%
Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions	110,472			
<b>2. Own source operating revenue</b>				
Total continuing operating revenue <sup>1</sup> excluding all grants and contributions	103,254	67.03%	71.44%	82.04%
Total continuing operating revenue <sup>1</sup> inclusive of all grants and contributions	154,050			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	89,504	4.29x	5.03x	3.59x
Current liabilities less specific purpose liabilities	20,858			
<b>4. Debt service cover ratio</b>				
Operating results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBITDA)	24,922	12x	20.86x	27.26x
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	2,076			
<b>5. Rates and annual charges outstanding percentage</b>				
Rates and annual charges outstanding	2,674	3.58%	3.84%	3.65%
Rates and annual charges collectible	74,664			
<b>6. Cash expense cover ratio</b>				
Current year's cash, cash equivalents + Term Deposits	115,964 x 12	15.72 months	15.68 months	13.46 months
Payments from cash flow of operating and financing activities	88,507			

<sup>1</sup> Excludes fair value adjustments, reversal of revaluation decrements, net gain/loss on sale of assets and net share/loss of interests in joint ventures

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 14 INVESTMENT PROPERTIES**

	Notes	2016 (\$'000)	2015 (\$'000)
<b>At fair value</b>			
Opening balance at July 1 2015		105,628	2,800
Correction of prior years errors		(17,248)	-
Acquisitions		1,485	1,150
Transferred from Note 9		-	101,228
Classified as held for disposals		-	-
Net gain (loss) from fair value adjustment		24,450	450
Transfer (to) from inventories and other occupied property		-	-
<b>Closing balance at 30 June 2016</b>		<b><u>114,315</u></b>	<b><u>105,628</u></b>
<b>(a) Amounts recognised in profit and loss for investment property</b>			
Rental income	3 (d)	560	483
Net gain (loss) from fair value adjustment	3 (d)	24,450	450
Direct operating expenses from property that did not generate rental income		-	-
<b>Total</b>		<b><u>24,788</u></b>	<b><u>796</u></b>

**(b) Valuation basis**

The basis of the valuation of investment properties is at fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition subject to similar leases. The 2016 revaluations were based on independent assessments made by Scott Fullarton Valuations Pty Ltd, a member of the Australian Property Institute.

**(c) Contractual obligations**

Refer to Note 12 for disclosure of any contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

**(d) Leasing arrangements**

The investment properties are leased to tenants under long term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows.

Minimum lease payments under non-cancellable operating leases of investment			
- Not later than one year		285	383
- Later than one year and not later than 5 years		566	685
- Later than 5 years		182	253
<b>Total</b>		<b><u>1,033</u></b>	<b><u>1,321</u></b>

Refer to note 27 Fair value measurement for information regarding the fair value of investment

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 15 FINANCIAL RISK MANAGEMENT**

**Risk Management**

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by the Finance Unit under policies approved by the Council.

Council held the following financial instruments at balance date:

	Carrying Value		Fair Value	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>Financial assets</b>				
Cash and cash equivalents	9,464	14,305	9,464	14,305
Receivables	9,771	9,378	9,771	9,378
Financial assets at fair value through profit or loss	-	-	-	-
Available-for-sale financial assets	-	-	-	-
Held-to-maturity investments	168,579	123,447	168,654	123,714
	<u>187,814</u>	<u>147,130</u>	<u>187,889</u>	<u>147,397</u>
<b>Financial liabilities</b>				
Payables	24,901	19,229	24,901	19,229
Borrowings	4,376	6,234	4,470	5,811 <sup>(1)</sup>
	<u>29,277</u>	<u>25,463</u>	<u>29,371</u>	<u>25,040</u>

**Note:**

Refer to Note 27 for fair value information.

<sup>(1)</sup> The fair value represents the present value of the total payments (principal and interest) for the remaining term of the loans, with the amount of interest estimated for those loans with variable rates, discounted by the bond rates used for employee leave entitlement discounting.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

- (a) Cash and cash equivalents**
- Financial assets at fair value through profit and loss**
- Available-for-sale financial assets**
- Held-to-maturity investments**

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Finance Unit manages the cash and investments portfolio with the assistance of independent investment advisers. Council has an investment policy which complies with the Local Government Act and Minister's Order. The policy is regularly reviewed by Council and an Investment Report provided to Council monthly setting out the make-up and performance of the portfolio.

The risk associated with investments held are:

- Price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
- Interest rate risk – the risk that movements in interest rates could affect returns
- Credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from its independent advisers before placing any cash and investments.

**(a) Market risk - price risk and interest rate risk**

The impact on result for the year and equity of a reasonably possible movement in the price of investments held is shown below. The reasonably possible movement was determined based on historical movements and economic conditions in place at the reporting date.

	30/06/2016	30/06/2015
	\$'000	\$'000
Estimated impact of a 10% <sup>(2)</sup> movement in price of investments:		
- Equity	n/a	n/a
- Income statement	n/a	n/a
Estimated impact of a 1% <sup>(2)</sup> movement in interest rates on cash and investments:		
- Equity	1,780	1,378
- Income statement	1,780	1,378

**Note:**

<sup>(2)</sup> Sensitivity percentages based on management's expectation of future possible market movements. (Price movements calculated on investments subject to fair value adjustments. Interest rate movements calculated on cash, cash equivalents, managed funds, and FRNs). Movement in price of investments is calculated only on tradable investments.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Credit risk**

Council's major receivables comprise rates and annual charges and user charges and fees. Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery policies.

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

	<b>Notes</b>	<b>2016</b>	<b>2015</b>
<b>Percentage of rates and annual charges</b>			
- Current		69%	63%
- Overdue debts		31%	37%
<b>Analysis of overdue debts</b>			
		<b>\$'000</b>	<b>\$'000</b>
Less than 1 year		1,839	1,672
1 to 2 years		437	468
2 to 5 years		394	425
Greater than 5 years		4	95
	7	<u>2,674</u>	<u>2,660</u>
<b>Percentage of other receivables</b>			
		<b>2016</b>	<b>2015</b>
- Current		87%	92%
- Overdue debts		13%	8%
<b>Analysis of overdue debts</b>			
		<b>\$'000</b>	<b>\$'000</b>
0 - 30 days overdue		6,496	6,458
31 - 60 days overdue		260	89
61 - 90 days overdue		75	24
91+ days overdue		672	417
	7	<u>7,503</u>	<u>6,988</u>
<b>(ii) Movement in provision for impairment for receivables</b>			
		<b>2016</b>	<b>2015</b>
Balance at the beginning of the year		270	257
Plus: New provisions recognised during the year		140	80
Less: Amounts already provided for & written off		(4)	(67)
<b>Balance at the end of the year</b>		<u><u>406</u></u>	<u><u>270</u></u>



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk**

Payables and borrowings are both subject to liquidity risk – that is 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 be extended and overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the maturity table below.

<b>2016 \$'000</b>	<b>Due Within 1 Year</b>	<b>Due Between 1 and 5 Years</b>	<b>Due After 5 Years</b>	<b>Total Contractual Cash Flows</b>	<b>Carrying Values</b>
<b>Payables</b>	24,901	-	-	24,901	24,901
<b>Borrowings</b>	993	2,610	1,141	4,744 <sup>(4)</sup>	4,376
	<u>25,894</u>	<u>2,610</u>	<u>1,141</u>	<u>29,645</u>	<u>29,277</u>
<b>2015 \$'000</b>	<b>Due Within 1 Year</b>	<b>Due Between 1 and 5 Years</b>	<b>Due After 5 Years</b>	<b>Total Contractual Cash Flows</b>	<b>Carrying Values</b>
<b>Payables</b>	19,229	-	-	19,229	19,229
<b>Borrowings</b>	1,193	4,075	1,667	6,935 <sup>(4)</sup>	6,234
	<u>20,422</u>	<u>4,075</u>	<u>1,667</u>	<u>26,164</u>	<u>25,463</u>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs. The Finance Unit regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

	<b>30 June 2016</b>		<b>30 June 2015</b>	
	<b>Weighted average interest rate</b>	<b>Balance</b>	<b>Weighted average interest rate</b>	<b>Balance</b>
	<b>%</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>
Overdraft	N/A	-	N/A	-
Bank loans – variable <sup>(5)</sup>	2.90%	3,088	3.06%	3,769
Bank loans – fixed	4.95%	1,288	5.07%	2,465
		<u>4,376</u>		<u>6,234</u>

**Note:**

<sup>(4)</sup> This represents the total payments (principal and interest) for the remaining term of the loans, with the amount of interest estimated for those loans with variable rates.

<sup>(5)</sup> The interest rate risk applicable to variable rate bank loans is not considered significant.

**Refer to note 27 for fair value information**

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 16 MATERIAL BUDGET VARIATIONS**

Council's original budget was incorporated as part of the 2015-2019 Delivery Plan adopted by the Council on 23 June 2015.

Whilst 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 original budget on a quarterly basis, so that it is able to manage the various variations between actuals and budget that invariably occur throughout the year.

In accordance with section 407 of the Local Government Act 1993, variations to Council's budget are reported to Council on a quarterly basis as part of the Quarterly Budget Review Report. These documents can be viewed on Council's website at [www.ryde.nsw.gov.au](http://www.ryde.nsw.gov.au)

This Note sets out the details of material variations between the original budget and actual results for the Income Statement. Material favourable (F) and unfavourable (U) variances represent amounts of 10% or more of the budgeted amount, or if considered appropriate to comment.

**Revenues**

**User charges and fees \$2,412K (16%) (F)**

Council received user charges and fees revenue of \$17,142k which was above the original budget by \$2,412K (16%).

The additional income received was predominantly related to environmental enforcement levies and other development related income which were, \$1.8 million and \$840k respectively, over budget. The original budgets for this type of income were conservative as they rely on the levels of development activity throughout the local government area which, in turn, remained high throughout the course of the year.

**Interest and investment revenue \$1,973K (57%) (F)**

Council received interest revenue of \$5,420k which was above the original budget by \$1,973k (57%).

During this financial year the RBA cut official interest rates by 0.25% which occurred in May 2016. Overall, Council's interest rate earnings decreased slightly during the year but higher than expected Section 94 contributions have resulted in additional interest income than was originally budgeted for. It should be noted that these Section 94 funds, and the interest earned on their investment, cannot be applied to Council's normal operations and they are restricted in Council's reserves to be used for construction of new works under the Section 94 plan they were collected under.

**Other revenues \$26,047K (358%) (F)**

Council received other revenues of \$33,321k which was above the original budget by \$26,047k (358%).

There are several items contributing to this income category exceeding budget, the most significant being: fair value on investment properties \$24.45M; parking fines \$395k; recovery of legal fees \$100k; sales of recycled materials \$200k; parking meter income \$250k; waste recycling rebate \$381k.

The increase in Fair Value on Investment Properties (\$24.45M) is a requirement of AASB140(75). The valuations are reviewed annually by a member of the Australian Property Institute. Changes in fair value are recorded in profit and loss as part of other income.

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Notes to the financial statements 30 June 2016

**NOTE 16 MATERIAL BUDGET VARIATIONS (CONTINUED)**

**Grants & contributions provided for capital purposes \$42,772K (5307%) (F)**

Council received capital income of \$43,578k which was above the original budget by \$42,772k (5307%).

Council only budgets, as part of its original budget, for known grants and contributions towards capital works, it does not budget for Section 94 contributions as these vary greatly. Up until three years ago Council had only received, on average, \$1.5 million per annum in Section 94 contributions. In 2015/16 this figure was \$38.5 million.

This year Council also received \$1.9m for Voluntary Planning Agreements and grants for stormwater improvement projects - \$317k and lighting and CCTV in Eastwood -\$180k. Additionally, Council's Roads to Recovery grant was \$685K more than anticipated and Council received \$1.16 million in transport grants from RMS for road resurfacing, road kerb renewal, cycleway construction and traffic management.

**Net gain from the disposal of assets \$2,075K (100%) (F)**

Council received other revenues of \$2,075k which was above the original budget by \$2,075k (100%).

The majority of this budget variation relates to \$1,747K received for settlement of legal cases regarding Collateralised Debt Obligation investments.

**Expenses**

**Borrowing costs -\$30K (-12%) (F)**

Council incurred borrowing costs of \$218k which was below the original budget by -\$30k (-12%).

Council's interest rates on loans are largely variable and with interest rates decreasing, borrowing costs were less than anticipated.

**Other expenses -\$3,981K (-22%) (F)**

Council paid other expenses of \$13,826k which was below the original budget by -\$3,981k (-22%).

The budgeted savings are due to; street lighting \$0.5m, utilities - power \$0.7m, waste development tax \$0.13m and water rates \$0.2m. A budget for \$330k for recognition of interest due on deposits and retentions was incorrectly included in the 2015/16 financial year.

ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 17 STATEMENT OF DEVELOPER CONTRIBUTIONS

PURPOSE	OPENING BALANCE \$'000	CONTRIBUTIONS RECEIVED DURING YEAR (1)		INTEREST & INVESTMENT INCOME EARNED DURING YEAR \$'000	EXPENDED DURING YEAR \$'000	INTERNAL BORROWINGS (TO/FROM) (2) \$'000	EXPENDITURE RECLASSIFIED \$'000	HELD AS RESTRICTED ASSET (3) \$'000	WORKS PROVIDED TO DATE \$'000	CUMULATIVE INTERNAL BORROWINGS due/(payable) \$'000
		CASH \$'000	NON-CASH \$'000							
Community & Culture	5,830	7,220	-	261	2,930	-	-	10,361	779	-
Open Space & Public Domain	19,971	26,636	-	1,041	2,927	-	-	44,721	14,684	-
Roads, Traffic, Carparks & Cycleways	2,714	3,637	-	88	3,658	-	-	2,781	4,061	-
Stormwater Management	6,610	884	-	209	1,311	-	-	6,402	4,903	-
Administration	333	163	-	9	274	-	-	231	493	-
<b>TOTAL UNDER PLANS</b>	<b>35,458</b>	<b>38,550</b>	<b>-</b>	<b>1,608</b>	<b>11,100</b>	<b>-</b>	<b>-</b>	<b>64,516</b>	<b>24,920</b>	<b>-</b>
Planning agreements	7,940	1,875	-	-	437	-	-	9,378	-	-
<b>TOTAL CONTRIBUTIONS</b>	<b>43,398</b>	<b>40,425</b>	<b>-</b>	<b>1,608</b>	<b>11,537</b>	<b>-</b>	<b>-</b>	<b>73,894</b>	<b>-</b>	<b>-</b>

City of Ryde Council adopted the single Section 94 Development Contributions Plan 2007 - 11 December 2007. This development contribution Plan repeated previous plans.

- (1) Reconcilable with Note 3
- (2) Reconcilable with Note 6 (Restricted assets excludes amounts expended in advance)
- (3) Cumulative balance of borrowing within and between plans
- (4) The total balance under plans are restricted and reflected in Note 6(c) as External Restrictions, whereas the total balance of planning agreements (Voluntary Planning Agreements) is restricted in Note 6 (c) as Internal.

**Note:** Council has resolved to move to a new Section 94A Developer Contribution Plan, and is awaiting approval of that plan. Once approved the current Section 94 Plan will cease.

**ITEM 7 (continued)****ATTACHMENT 6****Draft Notes to the financial statements 30 June 2016****NOTE 18 CONTINGENCIES**

The following assets and liabilities do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to the users of the financial report in making and evaluating decisions about the allocation of scarce resources:

**LIABILITIES NOT RECOGNISED****1 Guarantees****(i) Defined Benefits Superannuation Contribution Plans**

Council participates in an employer sponsored Defined Benefits Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees. Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due. The Scheme's most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Scheme's Defined Benefit member category with member councils required to make significantly higher contributions in future years. The Local Government Superannuation Scheme has estimated that as at 30 June 2016 a deficit still exists and employers are required to contribute additional contributions in order to rectify this deficit. The share of this deficit that can be attributed to Council is estimated to be in the order of \$675,472 as at 30 June 2016.

**(ii) Statewide Limited**

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to Local Government. Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years. The future realisation and finalisation of claims incurred but not reported to 30 June 2016 may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

**(iii) StateCover Limited**

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity. StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council. Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the Company's past performance and/or claims experience or as a result of any increase prudential requirements of APRA. These future equity contributions would be required to maintain the Company's level of Net Assets in accordance with its Licence Requirements.

**(iv) Third Party Claims**

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services. Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 18 CONTINGENCIES (CONTINUED)**

**(v) S94 Plans**

Council levies Section 94/94A Contributions upon various developments across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans 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.

**2 Remediation Works**

**(i) Old landfill sites**

The Council has a number of old landfill sites that were used for the purpose of disposal of domestic and other waste, which have since been converted to playing fields. No known liability arises from any potential toxicity or subterranean leakage, but there will be ongoing remediation works that may be required from time to time to reinstate the playing surfaces, due to subsidence following further settling of the waste within the landfill.

Council has not, as yet, been able to reliably determine the quantum of liability for this future works, but has estimated that it could cost approximately \$200,000 per annum.

**3 Council Amalgamation**

On 6 January 2016 the Minister for Local Government referred 35 merger proposals to the Chief Executive of the Office of Local Government for examination and report under the Local Government Act. The merger of the City of Ryde with Hunters Hill and Lane Cove Councils was included as one of these proposals.

The Chief Executive delegated the examination and reporting function for the merger proposals to Delegates. The reports of the Delegates were sent to the Minister for Local Government as well as the Local Government Boundaries Commission for comment.

On 22 April 2016, Hunters Hill Council commenced legal action against the Minister for Local Government and Delegate, Dr Robert Lang regarding the proposed merger with the City of Ryde and Lane Cove Council. At the time of preparing this report no judgement has been handed down in relation to these proceedings.

On 12 May 2016, the Minister for Local Government and the Premier of NSW announced the proclamation of 19 new councils. The City of Ryde's proposed merger with Hunters Hill and Lane Cove Councils was not progressed due to the legal action taken by Hunters Hill. The Minister has indicated his in principle support to create a further 9 new councils, subject to the decision of the courts, which includes the merger of the City of Ryde, Hunters Hill and Lane Cove Councils. The finalisation of the proceedings is uncertain and therefore Council is unable to determine when the proposed merger may commence.

**ASSETS NOT RECOGNISED**

**(i) Infringement Notices/Fines**

Fines & penalty income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau. Council's Revenue Recognition policy for such income is to account for it as revenue on receipt. Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices. Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 18 CONTINGENCIES (CONTINUED)**

**(ii) Pedestrian Bridge and Tunnel, Top Ryde**

Council, as part of the approval of a Development Application for the Top Ryde City Shopping Centre entered into an agreement with the owners and developers, Bevillesta Pty Ltd, where a monetary contribution was paid for the purchase of a tract of land at the front of Council's Administration Centre, 1 Devlin St, Ryde. Also one of the conditions of the Development Application was a long-term lease of 49 years, with a 50 year option, between Council and the developers, where Council leased to the developer the airspace in which a number of assets were to be constructed.

The assets consisted of:

Two pedestrian bridges across Devlin Street.

The tunnels into the Top Ryde City Shopping Centre, plus the tunnels towards the Civic Centre site.

These represent a contingent asset that will become Council's assets at the end of the lease.

**(i) Land Under Roads**

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

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**NOTE 19 INTERESTS IN JOINT VENTURES AND ASSOCIATES**

Council has no interests in joint ventures or associates.

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ITEM 7 (continued)

ATTACHMENT 6

Draft Notes to the financial statements 30 June 2016

NOTE 20 REVALUATION RESERVES AND RETAINED EARNINGS

	2016 (\$'000)	2015 (\$'000)
<b>(a) Retained earnings</b>		
Movements in retained earnings were as follows:		
At beginning of year	1,783,775	1,742,772
Adjustment to correct prior years errors (Note 20 (d))	-	-
Net operating result for the year	79,084	41,003
At end of year	<u>1,862,859</u>	<u>1,783,775</u>
<b>(b) Revaluation reserves</b>		
Infrastructure, property, plant and equipment revaluation reserve	657,009	679,801
Available-for-sale investments revaluation reserve	-	-
<b>Total assets</b>	<u>657,009</u>	<u>679,801</u>
<b>Movements:</b>		
<b>Property, plant and equipment revaluation reserve</b>		
At beginning of year	679,801	608,326
Revaluation - gross	(4,158)	59,908
Adjustment to correct prior years errors (Note 20 (d))	(17,248)	(6,434)
Depreciation transfer - gross	(1,387)	18,001
At end of year	<u>657,008</u>	<u>679,801</u>
<b>Available-for-sale investments revaluation reserve</b>		
At beginning of year	-	-
Revaluation - gross	-	-
Transfer to net profit - gross	-	-
At end of year	<u>-</u>	<u>-</u>
<b>(c) Nature and purpose of reserves</b>		
<b>(i) Infrastructure, property, plant and equipment revaluation reserve</b>		
The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.		
<b>(d) Correction of errors in previous years</b>		
Write off of values for structures on investment properties	(17,248)	-
Correct revaluation amount for asset write ons/off	-	(3,752)
Properties duplicated between Infrastructure Assets and Investment Properties	-	(2,682)
	<u>(17,248)</u>	<u>(6,434)</u>



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 21 RESULTS BY FUND**

Council has only one consolidated fund.

**NOTE 22 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE**

	2016 (\$'000)	2015 (\$'000)
Operational Land	-	-
Buildings	-	-
Total	<u>-</u>	<u>-</u>

Refer to note 27 for fair value measurement information.

**NOTE 23 EVENTS OCCURRING AFTER BALANCE SHEET DATE**

There are no events occurring after the Balance Sheet Date that directly affect the results for the 2015/2016 Financial Year.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 24 DISCONTINUED OPERATIONS**

There were no operations discontinued by Council during the year.

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**NOTE 25 INTANGIBLE ASSETS**

Council has no Intangible Assets to report.

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**NOTE 26 REINSTATEMENT, REHABILITATION AND RESTORATION LIABILITIES**

The Council has a number of old landfill sites that were used for the purpose of disposal of domestic and other waste, which have since been converted to playing fields. No known liability arises from any potential toxicity or subterranean leakage, but there will be ongoing remediation works that may be required from time to time to reinstate the playing surfaces, due to subsidence following further settling of the waste within the landfill.

Council has not, as yet, been able to reliably determine the quantum of liability for this future works, but has estimated that it could cost approximately \$200,000 per annum.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

**NOTE 27 FAIR VALUE MEASUREMENT**

Council measures the following assets and liabilities at fair value on a recurring basis:

- Infrastructure, property, plant and equipment
- Investment property
- Financial assets

**Fair value hierarchy**

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* - Unobservable inputs for the asset or liability.

The table below shows the assigned level for each asset and liability held at fair value by the Council:

30 June 2016	Note	Level 2 Significant observable Inputs (\$000's)	Level 3 Significant observable Inputs (\$000's)	Total (\$000's)
<b>Investment properties</b>	14	-	114,315	<b>114,315</b>
<b>Infrastructure, Property, Plant and Equipment</b>	9			
- Operational land		-	102,333	<b>102,333</b>
- Community land		-	1,394,978	<b>1,394,978</b>
- Land under roads		-	11,552	<b>11,552</b>
- Buildings (Specialised and non-specialised)		-	59,283	<b>59,283</b>
- Roads, Bridges, Footpaths		-	367,821	<b>367,821</b>
- Stormwater drainage		-	204,554	<b>204,554</b>
<b>Subtotal I, PP &amp; E</b>			<b>2,140,521</b>	<b>2,140,521</b>
<b>TOTALS</b>		-	<b>2,254,836</b>	<b>2,254,836</b>
<b>30 June 2015</b>	<b>Note</b>	<b>Level 2 Significant observable Inputs (\$000's)</b>	<b>Level 3 Significant observable Inputs (\$000's)</b>	<b>Total (\$000's)</b>
<b>Investment properties</b>	14	-	105,628	<b>105,628</b>
<b>Infrastructure, Property, Plant and Equipment</b>	9			
- Operational land		-	102,333	<b>102,333</b>
- Community land		-	1,393,318	<b>1,393,318</b>
- Land under roads		-	11,552	<b>11,552</b>
- Buildings (Specialised and non-specialised)		-	61,469	<b>61,469</b>
- Roads, Bridges, Footpaths		-	363,975	<b>363,975</b>
- Stormwater drainage		-	200,633	<b>200,633</b>
<b>Subtotal I, PP &amp; E</b>			<b>2,133,280</b>	<b>2,133,280</b>
<b>TOTALS</b>		-	<b>2,238,908</b>	<b>2,238,908</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

The Council's financial assets relates to its investments in term deposits and FRN's. The information included under 6(b) is considered sufficient to meet the Fair Value disclosures requirements hence additional information is not included under this note.

The Council does not have any liabilities which are fair valued.

**Valuation processes**

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government. Further details of the revaluations policy is provided under note 1(k).

**Level 3 measurements**

Investment properties

On an annual basis, the Council engages external, independent and qualified valuers to determine the fair value of its investment properties. As at 30 June 2016, the fair values of the land have been determined by Scott Fullarton Valuations Pty Ltd.

All investment property valuations are included in level 3 of the hierarchy. The value of investment property has been determined using either using the capitalisation of rental income or with reference to value of similar properties within the area. The key unobservable input to the valuation is the rent or price per square metre.

Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were last revalued in the 30 June 2012 financial year and the fair values were determined by SPM Asset Pty Ltd.

Gross Value of each building is obtained by applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. The key unobservable input being the rate square metre has been benchmarked to construction costs of similar properties across the industry.

Land (Operational, Community and Land under road)

The Council engages external, independent and qualified valuers to determine the fair value of the Council's Community Land. Valuation of Operational Land and Land Under Roads (LUR) is performed by the Council's internal valuations team.

The fair value of Operational land has been determined by referencing it to current prices in an active market for similar properties. Where such information is not available, current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences are considered. Appropriate adjustments are also made for the inherent features of the property such as fire-prone, flood zonings and usability of the land.

The fair value for Community Land and Land Under Roads (LUR) has been determined using a unit rate per square metre, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. Given the nature of Community Land and Land Under Roads (LUR), comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from the Valuer General's valuation is considered the most practicable approach to valuing Community Land and Land Under Roads (LUR).

Community Land was last revalued at 30 June 2009. Council has resolved to not value Land Under Roads (LUR) and Operational Land was last revalued at 30 June 2015.

The key unobservable input to the valuation is the rate per square metre.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Notes to the financial statements 30 June 2016**

Infrastructure assets

Valuations for infrastructure assets are performed internally by the Council's engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, lineal metres or individual items.

The unit rate, which is a key unobservable input, is determined using an assessment of average historical internal costs, and rates from contracts with third party suppliers. Infrastructure assets were last revalued at 30 June 2013.

The information presented below on unobservable input has been limited to significant components of the infrastructure assets as it impracticable to provide information for all components.

**Reconciliation of movements**

The items classified under level 3 are investment properties and property, plant and equipment (including infrastructure assets). The reconciliation of movements in these assets is presented under note 14 and 9 respectively.

**Transfers between levels of the hierarchy**

There were no transfers of assets and liabilities between the hierarchies.

**Highest and Best Use**

Current use of the assets noted above reflects the highest and best use as Operational Assets, and in accordance with current planning restrictions, the exceptions being the Investment Properties, which are to be developed, and may require planning changes to allow the development.

**ITEM 7 (continued)**

**ATTACHMENT 6**



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**ITEM 7 (continued)**

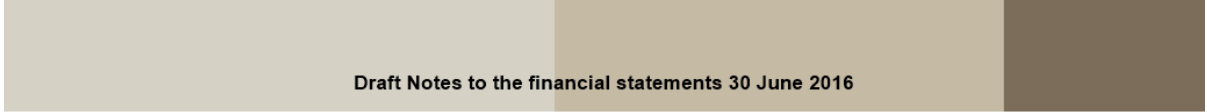
**ATTACHMENT 6**



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**ITEM 7 (continued)**

**ATTACHMENT 6**



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**ITEM 7 (continued)**

**ATTACHMENT 6**



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**ITEM 7 (continued)**

**ATTACHMENT 6**



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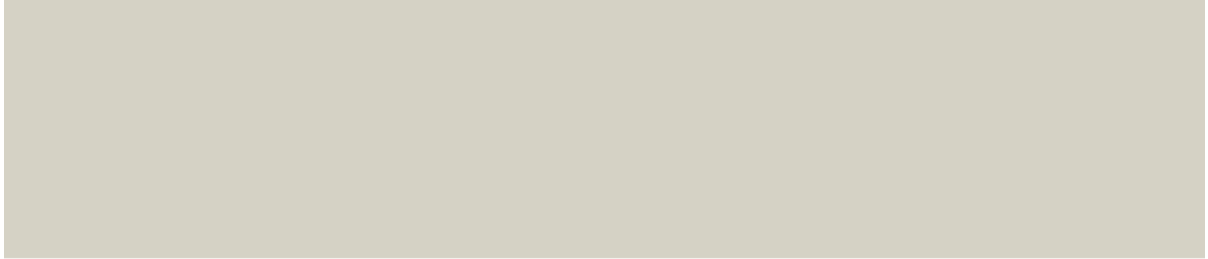
**ITEM 7 (continued)**

**ATTACHMENT 6**



**ITEM 7 (continued)**

**ATTACHMENT 6**



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**Draft Special Purpose  
Financial Statements**

Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Special Purpose Financial Statements – Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Purpose Financial Statements – Year Ended 30 June 2016**

**TABLE OF CONTENTS**

		<u>Page</u>
<b>Statement by Councillors and Management</b>	SPSF	4
<b>Special Purpose Financial Reports</b>		
• Income Statement of Other Business Activities	SPSF	5
• Statement of Financial Position of Other Business Activities	SPSF	6
<b>Notes to the Special Purpose Financial Statements</b>		
Note 1 Significant Accounting Policies	SPSF	7 - 8
<b>Auditors Report</b>	SPSF	9 - 10

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Purpose Financial Statements – Year Ended 30 June 2016**

**STATEMENT BY COUNCILLORS AND MANAGEMENT**  
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

*Statement by Councillors to be added after Council Meeting 27/09/2016*

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Special Purpose Financial Statements – Year Ended 30 June 2016

**INCOME STATEMENT OF OTHER BUSINESS ACTIVITIES**

(\$000's)

	Ryde Aquatic Leisure Centre (Category 1)		Commercial Waste Management (Category 2)	
	2016	2015	2016	2015
	<b>Income from continuing operations</b>			
Annual Charges	-	-	-	-
User Charges	5,373	5,078	1,371	1,182
Fees	-	-	-	-
Interest	-	-	-	-
Other income	20	16	-	-
Grants & Contributions provided for Non-Capital Purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
<b>Total Income From Continuing Operations</b>	<b>5,393</b>	<b>5,094</b>	<b>1,371</b>	<b>1,182</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on costs	3,363	3,104	-	-
Materials and Contracts	586	634	323	242
Borrowing costs	45	-	-	-
Depreciation and impairment	650	650	-	-
Loss on sale of assets	-	-	-	-
Calculated Taxation Equivalents	183	169	-	-
Other expenses	157	168	266	180
<b>Total Expenses From Continuing Operations</b>	<b>4,984</b>	<b>4,725</b>	<b>589</b>	<b>422</b>
<b>Surplus (Deficit) from Continuing Operations before capital amounts</b>	<b>409</b>	<b>369</b>	<b>782</b>	<b>760</b>
Grants & Contributions provided for Capital Purposes	-	-	-	-
<b>Surplus (Deficit) from Continuing Operations after capital amounts</b>	<b>409</b>	<b>369</b>	<b>782</b>	<b>760</b>
Surplus (Deficit) from Discontinued Operations	-	-	-	-
<b>Surplus (Deficit) from All Operations before Tax</b>	<b>409</b>	<b>369</b>	<b>782</b>	<b>760</b>
Less Corporate Taxation Equivalent (30%) [based on Operating result before capital]	123	111	235	228
<b>Surplus (Deficit) After Tax</b>	<b>286</b>	<b>258</b>	<b>547</b>	<b>532</b>
<b>Opening Retained profits *</b>	<b>32,072</b>	<b>31,534</b>	<b>200</b>	<b>200</b>
Adjustments for Amounts Unpaid:-				
Taxation Equivalent Payments	183	169	-	-
Corporate Taxation Equivalent	123	111	235	228
Plus: Equity Contributions	-	-	-	-
Less: Equity Withdrawals	-	-	-	-
Less: TER Dividend payment (non restricted activities)	-	-	(235)	(228)
Less: Surplus Dividend payment (non restricted activities)	-	-	(547)	(532)
<b>Closing Retained Profits</b>	<b>32,664</b>	<b>32,072</b>	<b>200</b>	<b>200</b>
<b>RETURN ON CAPITAL (%)</b>	<b>1.15%</b>	<b>1.13%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Required return on capital (%)</b>	<b>5.35%</b>	<b>5.34%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>SUBSIDY FROM COUNCIL</b>	<b>1,486</b>	<b>1,376</b>	<b>-</b>	<b>-</b>



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Purpose Financial Statements – Year Ended 30 June 2016**

**FINANCIAL POSITION OF OTHER BUSINESS ACTIVITIES**

	Ryde Aquatic Leisure Centre		Commercial Waste Management	
	(Category 1)		(Category 2)	
	2016	2015	2016	2015
<b>CURRENT ASSETS</b>				
Cash Asset and cash equivalents	624	138	-	-
Investments	-	-	-	-
Receivables	40	40	409	311
Inventories	12	12	-	-
Other	4,633	8,980	121	393
<b>TOTAL CURRENT ASSETS</b>	<b>5,309</b>	<b>9,170</b>	<b>530</b>	<b>704</b>
<b>NON-CURRENT ASSETS</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, Property, Plant & Equipment	35,446	32,687	-	-
Other	-	-	-	-
<b>TOTAL NON-CURRENT ASSETS</b>	<b>35,446</b>	<b>32,687</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>40,755</b>	<b>41,857</b>	<b>530</b>	<b>704</b>
<b>CURRENT LIABILITIES</b>				
Payables	613	676	281	447
Interest Bearing Liabilities	271	391	-	-
Provisions	849	780	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,733</b>	<b>1,847</b>	<b>281</b>	<b>447</b>
<b>NON-CURRENT LIABILITIES</b>				
Payables	-	-	-	-
Interest Bearing Liabilities	1,236	2,818	-	-
Provisions	13	11	49	57
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,249</b>	<b>2,829</b>	<b>49</b>	<b>57</b>
<b>NET ASSETS</b>	<b>37,773</b>	<b>37,181</b>	<b>200</b>	<b>200</b>
<b>EQUITY</b>				
Retained Earnings	32,664	32,072	200	200
Revaluation Reserves	5,109	5,109	-	-
Council Equity interest	-	-	-	-
Minority Equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>37,773</b>	<b>37,181</b>	<b>200</b>	<b>200</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Notes to the Special Purpose Financial Statements – Year Ended 30 June 2016**

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES**

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

These financial statements are a SPFS prepared for use by the Council and Office 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 criteria of applicable Australian Accounting Standards, other authoritative pronouncements of the AASB and Australian Accounting Interpretation. 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.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

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 Office of Local Government in July 1997 has also been adopted.

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

**Declared Business Activities**

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

**Category 1**

Name	Brief Description of Activity
Ryde Aquatic Leisure Centre	Provision of aquatic and dry court sports and leisure facilities

**Category 2**

Name	Brief Description of Activity
Commercial Waste Removal	Commercial waste collection, recycling and disposal.

**Monetary Amounts**

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

**Taxation Equivalent Payments**

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Statement) 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 SPFS. 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:

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Notes to the Special Purpose Financial Statements – Year Ended 30 June 2016**

Tax	Notional Rate Applied %
Corporate Tax Rate	30%
Land Tax	1.6% of the value in excess of \$482,000 but less than \$2,947,000. 2% of the value in excess of \$2,947,000
Payroll Tax	5.45% of total labour payments for the individual business activity in excess of \$750,000
Stamp Duty	Statutory rates as published by the Office of State Revenue.

**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 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 gain 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 & 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.

**Loan and Debt Guarantee Fees**

The debt guarantee fee is designed to ensure that Council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

**(i) 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.

**(ii) 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. Where a business activity has required the investment of capital assets, the rate of return on investment is disclosed in the income statement of Business Activities.

**(iii) Dividends**

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

**ITEM 7 (continued)**

**ATTACHMENT 6**

Notes to the Special Purpose Financial Statements – Year Ended 30 June 2016

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**ITEM 7 (continued)**

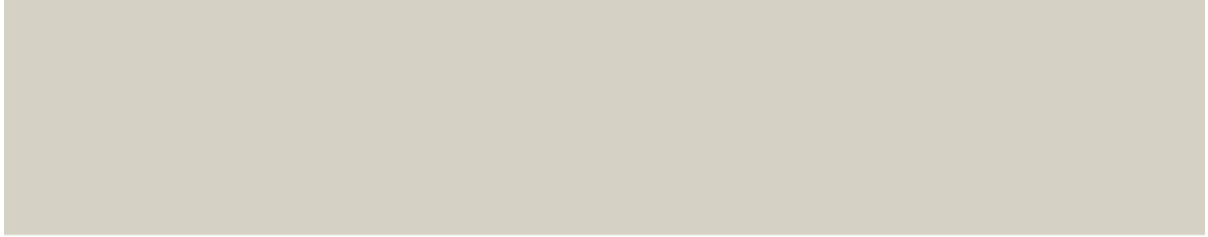
**ATTACHMENT 6**

**Notes to the Special Purpose Financial Statements – Year Ended 30 June 2016**

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**ITEM 7 (continued)**

**ATTACHMENT 6**



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**Draft Special Schedules**  
Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

Draft Special Schedules – Year Ended 30 June 2016

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**TABLE OF CONTENTS**

	<u>Page</u>
Special Schedule 1 - Net Cost of Services	SS 4 - 5
Special Schedule 2(a) - Statement of Long Term Debt (All Purpose)	SS 6
Special Schedule 2(b) - Statement of Internal Loans	SS 7
Special Schedule 7 - Condition of Public Works	SS 8 - 10
Special Schedule 8 - Permissible Income	SS 11
Special Schedule 9 - Auditors Report	SS 12 - 13
Special Schedules - Overall Auditors Report	SS 14 - 15



**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**SPECIAL SCHEDULE 1 – NET COST OF SERVICES**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	Net cost of services
	\$'000	\$'000	\$'000	\$'000
<b>Governance</b>	2,846	99		(2,747)
<b>Administration</b>	20,002	25,870		5,868
<b>Public Order &amp; Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	2,344	15		(2,329)
Animal Control	250	43		(207)
Beach Control				
Enforcement of Local Govt Regs	700	3,593	180	3,073
Emergency Services				
Other Public Order & Safety	1,845	4,211		2,366
<b>Total Public Order &amp; Safety</b>	<b>5,139</b>	<b>7,862</b>	<b>180</b>	<b>2,903</b>
<b>Health</b>	394	402		8
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control		9		9
Other Environment Protection	415	6		(409)
Solid Waste Management	17,112	20,141		3,029
Street Cleaning				
Drainage				
Stormwater Management	3,797	1,087	441	(2,269)
<b>Total Environment</b>	<b>21,324</b>	<b>21,243</b>	<b>441</b>	<b>360</b>
<b>Community Services &amp; Education</b>				
Administration & Education	928	34		(894)
Social Protection (Welfare)	1,744	716		(1,028)
Aged Persons and Disabled	497	575		78
Children's Services	140	29		(111)
<b>Total Community Services &amp; Education</b>	<b>3,309</b>	<b>1,354</b>		<b>(1,955)</b>
<b>Housing &amp; Community Amenities</b>				
Public Cemeteries				
Public Conveniences	1,050	189		(861)
Street Lighting	2,198	398		(1,800)
Town Planning	7,161	6,489	1,875	1,203
Other Community Amenities	72			(72)
<b>Total Housing &amp; Community Amenities</b>	<b>10,481</b>	<b>7,076</b>	<b>1,875</b>	<b>(1,530)</b>
<b>Water Supplies</b>				
<b>Sewerage Services</b>				
<b>Recreation &amp; Culture</b>				
Public Libraries	5,655	1,036		(4,619)
Museums				
Art Galleries				
Community Centres and Halls	762	283		(479)
Performing Arts Venues				
Other Performing Arts				
Other Cultural Services	461	149		(312)
Sporting Grounds and Venues	470	693	183	406
Swimming Pools	6,176	5,631	1	(544)
Parks & Gardens (Lakes)	8,854	10		(8,844)
Other Sport & Recreation	360	82		(278)
<b>Total Recreation &amp; Culture</b>	<b>22,738</b>	<b>7,884</b>	<b>184</b>	<b>(14,670)</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**Special Schedule 1 – NET COST OF SERVICES (CONTINUED)**

Function or Activity	Expenses from continuing operations	Income from continuing operations (non-capital)	Income from continuing operations (capital)	Net cost of services
	\$'000	\$'000	\$'000	\$'000
<b>Fuel &amp; Energy</b>				
<b>Agriculture</b>				
<b>Mining, Manufacturing &amp; Construction</b>				
Building Control	680	151		(529)
Other Mining, Manufacturing & Construction				
<b>Total Mining, Manufacturing &amp; Construction</b>	<b>680</b>	<b>151</b>		<b>(529)</b>
<b>Transport &amp; Communication</b>				
Urban Roads : Local	10,710	3,997	40,898	34,185
Urban Roads : Regional				
Sealed Rural Roads : Local				
Bridges on Urban Roads : Local	104			(104)
Bridges on Urban Roads : Regional				
Bridges on Urban Roads : Other				
Footpaths	1,877			(1,877)
Aerodromes				
Parking Areas	306			(306)
Other	257	157		(100)
<b>Total Transport &amp; Communication</b>	<b>13,254</b>	<b>4,154</b>	<b>40,898</b>	<b>31,798</b>
<b>Economic Affairs</b>				
Camping Areas and Caravan Parks				
Other Economic Affairs	1,324	1,771		447
<b>Total Economic Affairs</b>	<b>1,324</b>	<b>1,771</b>		<b>447</b>
<b>TOTALS - FUNCTIONS</b>	<b>101,491</b>	<b>77,866</b>	<b>43,578</b>	<b>19,953</b>
<b>GENERAL PURPOSE REVENUES <sup>(1)</sup></b>		<b>59,131</b>		<b>59,131</b>
<b>SHARE OF GAIN(DEFICIT) FROM ASSOCIATES AND JOINT VENTURES USING EQUITY METHOD <sup>(2)</sup></b>				
<b>CORRECTION OF FUNDAMENTAL ERROR <sup>(2)</sup></b>				
<b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS <sup>(2)</sup></b>	<b>101,491</b>	<b>136,997</b>	<b>43,578</b>	<b>79,084</b>
<b>EXTRAORDINARY ITEMS <sup>(2)</sup></b>				
<b>SURPLUS/(DEFICIT) FROM ALL ACTIVITIES <sup>(2)</sup></b>	<b>101,491</b>	<b>136,997</b>	<b>43,578</b>	<b>79,084</b>

NOTE : 1 Includes:  
Rates and Annual Charges (Incl. Ex-Gratia)  
Non-Capital General Purpose Grants  
Interest on Investments

2. As reported on the Income Statement

ITEM 7 (continued)

ATTACHMENT 6

Draft Special Schedules – Year Ended 30 June 2016

SPECIAL SCHEDULE 2(a) – STATEMENT OF LONG-TERM DEBT (ALL PURPOSES)

(\$,000)

Classification of Debt	Principal Outstanding at beginning of Year		New Loans Raised during the year	Debt Redemption during the year		Interest Applicable For Year	Principal Outstanding at end of Year	
	Current	Non-Current		Total	From Revenue		Sinking Funds	Current
LOANS (By Source)								
Commonwealth Bank								
Treasury Corporation								
Other State Government								
Public Subscriptions								
Financial Institutions	993	5,241	-	1,858	-	218	873	3,503
Other								4,376
<b>TOTAL LOANS</b>	<b>993</b>	<b>5,241</b>	<b>6,234</b>	<b>1,858</b>	<b>-</b>	<b>218</b>	<b>873</b>	<b>3,503</b>
OTHER LONG TERM DEBT								
Ratepayer's Advances								
Government Advances								
Finance Leases								
Deferred Payments								
<b>TOTAL LONG TERM DEBT</b>	<b>993</b>	<b>5,241</b>	<b>6,234</b>	<b>1,858</b>	<b>-</b>	<b>218</b>	<b>873</b>	<b>4,376</b>

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**SPECIAL SCHEDULE 2(b) – STATEMENT OF INTERNAL LOANS**

(\$'000)

**SUMMARY OF INTERNAL LOANS**

Borrower (by Purpose)	Amount Originally Raised <sup>(2)</sup>	Total Repaid During the Year Principal & Interest	Principal Outstanding at End of Year
General Water Sewerage Domestic Waste Management Gas			
Other (1)	2,711	-	2,711
<b>TOTALS</b>	<b>2,711</b>	<b>-</b>	<b>2,711</b>

**DETAILS OF INDIVIDUAL INTERNAL LOANS**

Borrower (by purpose)	Lender (by Purpose)	Date of Minister's Approval	Date Raised	Dates of Maturity	Rate of Interest	Amount Originally Raised <sup>(2)</sup>	Total Repaid During the Year Principal & Interest	Principal Outstanding at End of Year
RALC (4) - Surf Ryder						2,711	-	2,711
<b>TOTALS</b>						<b>2,711</b>	<b>-</b>	<b>2,711</b>

<sup>(1)</sup> This includes Internal Loans from Internally Restricted Reserves, and not just those from Externally Restricted Reserves

<sup>(2)</sup> The amount raised to the beginning of the year, was drawn down over a number of years:

2011/2012	\$	364,737
2012/2013	\$	323,123
2013/2014	\$	1,321,378
2014/2015	\$	701,919
<b>TOTAL</b>	<b>\$</b>	<b>2,711,157</b>

ITEM 7 (continued)

ATTACHMENT 6

Draft Special Schedules – Year Ended 30 June 2016

SPECIAL SCHEDULE 7 – CONDITION OF PUBLIC WORKS

Asset Class	Asset Category	Estimated Cost to bring to a satisfactory standard (overdue renewals)	Required Annual Maintenance Expense	Current Annual Maintenance	Carrying Value	Gross Replacement Cost (GRC)	Assets in Condition as a % of Gross Replacement Cost				
							1	2	3	4	5
<b>Buildings</b>		\$'000	\$'000	\$'000	\$'000	\$'000	12.5%	69.7%	15.8%	2.0%	0.0%
	Council Offices/ Administration Centres	13	390	465	11,442	29,355					
	Council Works Depot	-	-	-	-	-					
	Council Public Halls	48	-	-	3,668	10,427	0.8%	87.7%	8.6%	1.4%	0.5%
	Libraries	4	-	-	6,400	9,828	44.4%	55.3%	0.2%	0.0%	0.0%
	Cultural Facilities	31	-	-	3,934	10,857	0.0%	89.7%	8.9%	1.1%	0.3%
	Museum/Art Gallery	-	-	-	-	-					
	Amenities/toilets	-	330	412	-	-					
	Other Buildings	75	1,050	647	21,915	54,379	0.3%	90.8%	7.6%	1.4%	0.1%
	Specialised Buildings	-	-	-	-	-					
	<b>Sub total</b>	<b>171</b>	<b>1,769</b>	<b>1,543</b>	<b>47,396</b>	<b>111,344</b>					
<b>Other Structures</b>		\$'000	\$'000	\$'000	\$'000	\$'000	22.1%	37.8%	27.0%	9.0%	4.0%
	Other Structures	4,286	-	-	88,959	106,965					
	<b>Sub total</b>	<b>4,286</b>	<b>-</b>	<b>-</b>	<b>88,959</b>	<b>106,965</b>					
<b>Roads</b>		\$'000	\$'000	\$'000	\$'000	\$'000	30.7%	41.2%	14.7%	7.8%	5.7%
	Sealed Roads Surface	17,231	470	414	220,362	300,759					
	Sealed Roads Structure	-	-	-	-	-					
	Unsealed Roads	-	-	-	-	-					
	Bridges	0	52	50	2,538	4,335	10.2%	59.3%	30.5%	0.0%	0.0%
	Footpaths	191	1,754	1,420	51,898	62,009	17.7%	72.0%	7.0%	2.9%	0.3%
	Cycle ways	-	56	88	-	-					
	Kerb and Curb	79	1,696	1,312	89,444	102,792	1.6%	81.9%	14.3%	2.1%	0.1%
	Other Road Assets	1,401	1,764	1,764	3,400	7,072	15.9%	24.6%	19.6%	19.8%	19.8%
	<b>Sub total</b>	<b>18,902</b>	<b>5,762</b>	<b>5,050</b>	<b>367,821</b>	<b>476,368</b>					
<b>Stormwater Drainage</b>		\$'000	\$'000	\$'000	\$'000	\$'000	9.6%	90.4%	0.0%	0.0%	0.0%
	Retarding Basins	0	-	-	949	1,064					
	Outfalls	-	-	-	-	-					
	Stormwater Conduits	888	233	231	148,761	183,802	17.6%	62.3%	19.2%	3.5%	0.5%
	Inlet and Junction Pits	103	-	-	46,166	66,874	14.0%	43.6%	36.5%	3.8%	0.2%
	Head Walls	-	-	-	-	-					
	Outfall Structures	-	-	-	-	-					
	Stormwater Converters	-	-	-	-	-					
	Other	0	-	-	8,673	14,730	13.3%	24.7%	45.3%	16.6%	0.0%
	<b>Sub total</b>	<b>991</b>	<b>233</b>	<b>231</b>	<b>204,554</b>	<b>266,500</b>					
<b>Open Space/Recreational Assets</b>		\$'000	\$'000	\$'000	\$'000	\$'000	0.0%	100.0%	0.0%	0.0%	0.0%
	Swimming Pools	0	-	-	-	-					
	Other Open Space/Recreational Assets	-	-	-	17,565	27,508					
	<b>Sub total</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>17,565</b>	<b>27,508</b>					
<b>Other Infrastructure Assets</b>		\$'000	\$'000	\$'000	\$'000	\$'000	-	-	-	-	-
	Other Infrastructure Assets	-	93	106	-	-					
	<b>Sub total</b>	<b>-</b>	<b>93</b>	<b>106</b>	<b>-</b>	<b>-</b>					
<b>Total classes</b>	<b>Total – all assets</b>	<b>24,348</b>	<b>7,647</b>	<b>6,929</b>	<b>726,354</b>	<b>990,314</b>	<b>18.4%</b>	<b>57.1%</b>	<b>16.9%</b>	<b>5.2%</b>	<b>2.5%</b>

ITEM 7 (continued)

ATTACHMENT 6

Draft Special Schedules – Year Ended 30 June 2016

Special Schedule 7 – CONDITION OF PUBLIC WORKS (CONTINUED)

**Notes:**  
Satisfactory condition refers to an asset that is not due for renewal, where a condition rating scale from 1 (Very Good Condition) to 5 (Asset Unserviceable) is utilised. (Source: International Infrastructure Management Manual 2009). It does not include any planned 'enhancements' to the asset. Condition 5 assets are taken as being overdue for renewal, as the end of Condition 4 is the intervention point, useful life of the asset, at which time it should be renewed or disposed of.

Condition Rating	Condition Description
1	new or equivalent
2	good condition without visible blemishes or deterioration
3	usable & safe condition, with visible signs of wear or deterioration, e.g. cracks in footpaths
4	usable condition with defects that interfere with use or reduce asset life e.g. extensive road cracking. At the end of Condition 4, the asset will be due for renewal or disposal.
5	requires major repairs or is not suitable to remain in use due to a significant safety hazard, i.e. it is overdue for renewal.

For condition 5 assets that remain in service, there is a low residual life 5%, but indefinite RUL (remaining useful life). The backlog refers to assets that have been deferred due to insufficient funds. Any asset in condition 5 is considered to have been deferred and overdue for renewal and therefore part of the backlog.

**Current Annual Maintenance**, included in the table above, includes maintenance and operating costs, excluding depreciation, as the differentiation and tracking of costs has not been previously done and there is insufficient information to estimate this. **Required Annual Maintenance** is what should be spent to maintain and operate assets in a satisfactory standard that are already in satisfactory condition.

<b>*Buildings</b>	In assessing the condition of the building assets, an overall condition rating is applied to the building. When a building is noted as satisfactory, this should be interpreted that the majority of assets within the building (i.e. building components) are in a satisfactory condition. However there may be individual assets within the building that may be in an unsatisfactory condition.
<b>**Public Roads Urban Roads</b>	Included within the "Public Roads" group of assets is Urban Roads, Footpaths, and Kerb and Gutter. Council has adopted the use of a Pavement Management System (PMS) and condition data has been collected since 1991. The current replacement cost of the road assets is \$301M.
<b>Footpaths Kerb &amp; Gutter Bridges</b>	Council's footpath network has a current replacement value of \$62M. Council has designed and implemented a Footpath Management System, where every footpath is inspected and rated on a 1 to 5 rating basis. Council manages kerb & gutter as part of the pavement management system, with condition rating done in conjunction with pavements. The current replacement value is \$103M. The current replacement cost of bridges is \$4M.

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**Special Schedule 7 – CONDITION OF PUBLIC WORKS (CONTINUED)**

	2012	2014	2015	Current Year Indicators	2015	2014	2012
<b>Infrastructure Asset Performance Indicators – Consolidated</b>							
<b>Buildings &amp; Infrastructure Renewals Ratio</b>							
Asset Renewals (building, infrastructure & other structures)	0.80	0.94	1.23	1.34	1.23	0.94	0.80
Depreciation, amortisation and impairment (building, infrastructure & other structures)							
	\$14,984						
	\$11,170						
<b>Infrastructure backlog ratio (WDV)</b>							
Estimated cost to bring assets to a satisfactory condition (overdue renewals)	12.0%	8.4%	8.6%	3.4%	8.6%	8.4%	12.0%
Total value of infrastructure, building, other structures and depreciable land improvement assets (Carrying Value)							
	\$24,349						
	\$726,364						
<b>Infrastructure backlog ratio (GBV)</b>							
Estimated cost to bring assets to a satisfactory condition (overdue renewals)	6.3%	6.0%	6.1%	2.5%	6.1%	6.0%	6.3%
Total value of infrastructure, building, other structures and depreciable land improvement assets (GBV)							
	\$24,349						
	\$990,314						
<b>Asset maintenance ratio</b>							
Actual asset maintenance	0.69	2.28	0.91	0.88	0.91	2.28	0.69
Required asset maintenance							
	\$6,929						
	\$7,847						

**ITEM 7 (continued)**

**ATTACHMENT 6**

**Draft Special Schedules – Year Ended 30 June 2016**

**SPECIAL SCHEDULE 8 – PERMISSIBLE INCOME FOR GENERAL RATES**

	2015/2016 Calculation \$'000	2016/2017 Calculation \$'000
<b>Notional General Income Calculation <sup>(1)</sup></b>		
Last Year Notional General Income Yield	49,803	53,866
Plus or minus Adjustments <sup>(2)</sup>	471	332
<b>Notional General Income</b>	<u>50,274</u>	<u>54,198</u>
 <b>Permissible Income Calculation</b>		
Special variation percentage <sup>(3)</sup>	7.00%	7.00%
OR Rate peg percentage	2.40%	1.80%
OR Crown land adjustment incl. rate peg percentage		
Less expiring special variation amount		
Plus special variation amount	3,519	3,794
OR Plus rate peg amount		
OR Plus crown land adjustment and rate peg amount		
<b>Sub-total</b>	<u>53,793</u>	<u>57,992</u>
Plus or minus last year's Carry Forward Total	-49,737	-53
Less Valuation Objections claimed in the previous year		
<b>Sub-total</b>	<u>-49,737</u>	<u>-53</u>
<b>Total Permissible income</b>	<u><b>53,813</b></u>	<u><b>57,943</b></u>
Less Notional General Income Yield	53,866	57,941
Catch-up or (excess) result	-53	2
Plus Income lost due to valuation objections claimed <sup>(4)</sup>		1
Less Unused catch-up <sup>(5)</sup>		
<b>Carry forward to next year</b>	<u>-53</u>	<u>3</u>

**Notes**

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



**ITEM 7 (continued)**

**ATTACHMENT 6**

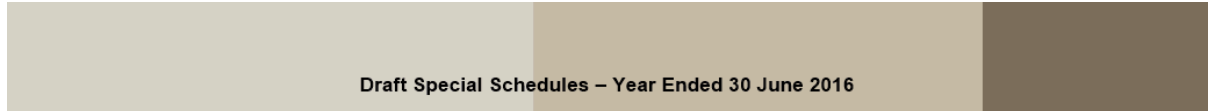


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