



PARRAMATTA CITY COUNCIL

2006

ANNUAL

FINANCIAL REPORTS

**COUNCIL OF THE
CITY OF
PARRAMATTA**

General Purpose Reports

PARRAMATTA CITY COUNCIL

GENERAL PURPOSE FINANCIAL REPORTS FOR THE YEAR ENDED 30TH JUNE 2006

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PARRAMATTA CITY COUNCIL

**GENERAL PURPOSE FINANCIAL REPORTS
FOR THE YEAR ENDED 30TH JUNE 2006**

**STATEMENT BY COUNCILLORS AND MANAGEMENT
MADE PURSUANT TO SECTION 413(2)(C) OF THE LOCAL
GOVERNMENT ACT 1993
(as amended)**

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

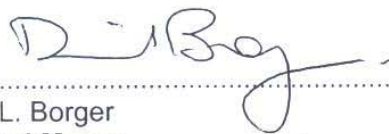
- The Local Government Act 1993 (as amended) and the Regulations made thereunder.
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, the Reports

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

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

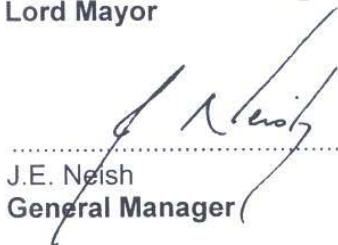
Signed in Accordance with the resolution of Council made on 23rd October 2006.




D.L. Borger
Lord Mayor



P.B. Barber
Deputy Lord Mayor



J.E. Neish
General Manager



J. Fett
Finance Manager and
Principal Accounting Officer

PARRAMATTA CITY COUNCIL

INCOME STATEMENT

for the year ended 30th June 2006

	Notes	2006 Original Budget \$'000	2006 Actual \$'000	2005 Actual \$'000
Revenue from continuing operations				
Rates and annual charges	3a	77,715	78,565	74,576
User charges and fees	3b	11,886	11,078	9,828
Interest and investment revenue	3c	4,260	5,077	4,867
Grants and contributions provided for operating purposes	3e,f	11,627	12,154	12,624
Grants and contributions provided for capital purposes	3e,f	6,286	7,891	7,854
Net gain from the disposal of assets	5	-	-	2,454
Share of interests in joint ventures and associates using the equity method	19	-	359	211
Other revenues	3d	13,730	12,117	12,860
Total revenues from continuing operations		125,504	127,241	125,274
Expenses from continuing operations				
Employee benefits and on-costs	4a	51,633	49,835	46,856
Borrowing costs	4b	5,671	5,477	5,472
Materials and contracts	4c	23,384	22,523	24,450
Depreciation and amortisation	4d	21,603	21,514	20,879
Net loss from disposal of assets	5	-	1,390	-
Other expenses	4e	19,928	21,715	20,685
Total expenses from continuing operations		122,219	122,454	118,342
Operating result from continuing operations		3,285	4,787	6,932
Operating result from discontinued operations		-	-	-
Net operating result for the year		3,285	4,787	6,932
Attributable to:				
- Council		3,285	4,787	6,932
- Minority Interests		-	-	-
Net operating result for the year before grants and contributions provided for capital purposes		(3,001)	(3,104)	(922)

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

PARRAMATTA CITY COUNCIL

BALANCE SHEET

as at 30th June 2006

	Notes	2006 Actual \$'000	2005 Actual \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,692	4,582
Investments	6b	76,900	78,028
Receivables	7	9,595	7,689
Inventories	8	231	228
Other	8	46	479
Non-current assets classified as held for resale	22	3,200	-
Total current assets		95,664	91,006
Non-current assets			
Receivables	7	193	155
Infrastructure property, plant and equipment	9	883,692	881,806
Intangible assets	24	6,768	7,945
Investments accounted for using equity method	19	699	340
Total non-current assets		891,352	890,246
Total assets		987,016	981,252
LIABILITIES			
Current liabilities			
Payables payable in less than 12 months	10a	11,008	9,405
Payables payable in greater than 12 months	10a	3,231	3,745
Interest bearing liabilities	10a	3,318	3,573
Provisions payable in less than 12 months	10a	4,898	4,071
Provisions payable in greater than 12 months	10a	10,331	10,210
Total current liabilities		32,786	31,004
Non-current liabilities			
Interest bearing liabilities	10a	93,687	94,645
Provisions	10a	453	300
Total non-current liabilities		94,140	94,945
Total liabilities		126,926	125,949
Net assets		860,090	855,303
EQUITY			
Retained earnings	20	860,090	855,303
Total equity		860,090	855,303

The above Balance Sheet should be read in conjunction with the accompanying notes

PARRAMATTA CITY COUNCIL

STATEMENT OF CHANGES IN EQUITY
for the year ended 30th June 2006

	Notes Ref.	2006 \$'000				2005 \$'000					
		Retained Earnings	Asset Revaluation Reserve	Council Equity Interest	Minority interest	Total Equity	Retained Earnings	Asset Revaluation Reserve	Council Equity Interest	Outside Equity Interest	Total Equity
Balance at beginning of the reporting period		855,303	-	855,303	-	855,303	851,579	-	851,579	-	851,579
Change in equity recognised in the statement of financial performance		4,787	-	4,787	-	4,787	6,932	-	6,932	-	6,932
Balance at end of the reporting period		860,090	-	860,090	-	860,090	858,511	-	858,511	-	858,511
Effect of correction of error in previous year, being a decrease in retained earnings (1)											(3,208)

(1) Other adjustments being the identification of bridges recorded in Council's books at balance date that were not owned by Council to the value of \$12.964 million. This has been partly offset by the identification of Buildings, Other Structures, Land Improvements and Cultural Assets to the value of \$9.756 million that were Council owned but not recorded in Council's books at balance date.

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

PARRAMATTA CITY COUNCIL

CASH FLOW STATEMENT for the year ended 30th June 2006

	Notes	2006 Budget \$'000	2006 Actual \$'000	2005 Actual \$'000
Cash flows from operating activities				
<i>Receipts:</i>				
Rates and annual charges		80,143	78,174	74,085
User charges and fees		12,228	11,068	7,950
Investment revenue and interest		4,331	5,082	4,911
Grants and contributions		18,549	18,579	21,258
Other		17,346	12,420	14,538
<i>Payments:</i>				
Employee benefits and on-costs		(49,612)	(48,338)	(46,501)
Materials and contracts		(22,525)	(21,400)	(21,945)
Borrowing costs		(5,671)	(5,509)	(5,190)
Other		(29,985)	(22,067)	(23,086)
Net cash provided (or used in) operating activities	11(b)	24,804	28,008	26,020
Cash flows from investing activities				
<i>Receipts:</i>				
Sale of investments		-	92,166	89,186
Sale of real estate assets		1,000	213	-
Sale of infrastructure, property, plant and equipment		2,410	1,223	5,994
<i>Payments:</i>				
Purchase of investments		-	(91,038)	(86,839)
Purchase of infrastructure, property, plant and equipment		(31,493)	(28,249)	(47,057)
Net cash provided by (or used in) investing activities		(28,083)	(25,685)	(38,716)
Cash flows from financing activities				
<i>Receipts:</i>				
Borrowings and advances		2,360	2,360	2,264
<i>Payments:</i>				
Borrowings and advances		(3,046)	(3,066)	(2,477)
Net cash provided by (or used in) financing activities		(686)	(706)	(213)
Net increase/(decrease) in cash and cash equivalents		(3,965)	1,617	(12,909)
Cash and cash equivalents at beginning of reporting period	11(a)	4,075	4,075	16,984
Cash and cash equivalents at end of reporting period	11(a)	110	5,692	4,075

The above Cash Flow Statement should be read in conjunction with the accompanying notes

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parramatta City Council is incorporated under the *New South Wales Local Government Act (LGA) 1993* as amended and has its principal place of business at 30 Darcy Street, Parramatta.

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations, the Local Government Act 1993 and Regulations and the Financial Reporting Guidelines for NSW Councils.

Compliance with International Financial Reporting Standards (IFRS)

AIFRS include certain specific provisions relating to not-for-profit entities that are not included in the *International Financial Reporting Standards*. In addition, *Australian Accounting Standard AAS 27 Financial Reporting by Local Governments* also applies. Where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS standard will apply. Except to the extent that these special provisions require, these financial statements and notes comply with *International Financial Reporting Standards*.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Parramatta City Council financial statements to be prepared in accordance with AIFRS. AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Parramatta City Council until 30 June 2005 had been prepared in accordance with previous *Australian Generally Accepted Accounting Principles (AGAAP)*. AGAAP differs in certain respects from AIFRS. When preparing Parramatta City Council 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. Council has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 January 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Council's equity and its net income are given in Note 21.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parramatta City Council is required to comply with *AAS 27 Financial Reporting by Local Government*, and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied. Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply. The specific 'not for profit' reporting requirements also apply.

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 at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies

(b) Revenue recognition

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

Rates, annual charges, grants and contributions

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

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

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

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

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 and rents

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- General Purpose Operations
- Various park committees

(ii) The Trust Fund

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

(ii) The Trust Fund (continued)

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(iii) Joint venture entities

The interest in a joint venture partnership is accounted for using the equity method and is carried at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to the partnership are set out in Note 19.

(d) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

The Council has no finance leases.

(e) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, plus costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Cash and cash-equivalent assets

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.

(g) Impairment of assets

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

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(h) Receivables

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

Collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables.

(i) Inventories

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 are assigned to individual items of inventory at the lower of cost and net realizable value. 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.

(j) Non-current assets held for resale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The exception to this are plant and motor vehicles which are turned over on a regular basis and retained in property, plant and equipment.

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

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

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

(k) Investments and other financial assets

From 1 July 2004 to 30 June 2005

Council has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. Council has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs.

Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there is a possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Council provides money, goods or services directly to a debtor with no intention of selling the receivable.

(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.

(iii) 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.

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 at 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. 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.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

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

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss -measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

Council has an approved investment policy complying with Section 625 of the *Local Government Act*. Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Local Government Investment Order.

(l) Fair value estimation

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

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

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Fair value estimation (continued)

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

(m) Infrastructure, property, plant and equipment

All infrastructure, property, plant and equipment is stated at cost (or deemed cost) less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Office Equipment	5,8 and 10 years
Office Furniture	10 Years
Vehicles and road-making equipment	5,6 and 10 years
Other Plant and Equipment	3 & 10 Years
Buildings - masonry	50 – 100 years
Playground equipment	5 years
Benches, seats, etc	5 years
Drains	100 years
Flood control structures	50 – 100 years
Sealed roads – Surface	100 years
Bridges	80 years

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

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

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(n) 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.

(o) 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.

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

(p) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are not 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 also expensed.

(q) Provisions

Provisions for legal claims and service warranties are recognised when: the Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

(r) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. However, a liability for vested sick-leave entitlements (prior to February 1993) is recognised and is measured as the amount accumulated at the reporting date at current pay rates, which is expected to result in payments to employees for untaken sick leave.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the actual dollar value of that liability plus consideration for expected future wage and salary levels. Where Council does not have the unconditional right to defer settlement beyond 12 months, the liability is recognised as a current liability.

The liability for long service leave is recognised and measured as follows:

- 50% of the liability for employees with less than five years service (treated as non-current liability).
- absolute entitlement for employees with five years or more service.

(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.

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans (see below). The Local Government Superannuation Scheme has advised that it is unable to provide individual councils with an accurate split of their share of the Scheme's assets and liabilities and so no asset or liability is recognised.

(r) Employee benefits (continued)

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.

(s) Rounding of amounts

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

(t) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available under AASB 1045.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) Allocation between current and non-current

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 UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- (i) *UIG 4 Determining whether an Asset contains a Lease*
UIG 4 is applicable to annual periods beginning on or after 1 January 2006. Council has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. Council will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of Council's current arrangements.
- (ii) *UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*
Council does not have interests in decommissioning, restoration and environmental rehabilitation funds. This interpretation will not affect the Council's financial statements.
- (iii) *AASB 2005-9 Amendments to Australian Accounting Standards [AASB 4, AASB 1023, AASB 139 & AASB 132]*
AASB 2005-9 is applicable to annual reporting periods beginning on or after 1 January 2006. The amendments relate to the accounting for financial guarantee contracts. Council has not entered into any financial guarantee contracts and there will be no effect on the Council's financial statements.
- (iv) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]*
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007.

The Council has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in the financial instruments.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(v) New accounting standards and UIG interpretations (continued)

(v) *UIG 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*

UIG 6 is applicable to annual reporting periods beginning on or after 1 December 2006. Council has not sold any electronic or electrical equipment on the European market and has not incurred any associated liabilities.

This interpretation will not affect the Council's financial statements.

(vi) *AASB 2005-6 Amendments to Australian Accounting Standards [AASB 121]*

AASB 2005-6 is applicable to annual reporting periods ending on or after 31 December 2006. The amendment relates to monetary items that form part of a reporting entity's net investment in a foreign operation. It removes the requirement that such monetary items had to be denominated either in the functional currency of the reporting entity or the foreign operation. Council does not have any monetary items forming part of a net investment in a foreign operation. The amendment to AASB 121 will therefore have no impact on the financial statements.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 2(a) - Functions

Functions/Activities	Revenues, Expenses and Assets have been directly attributed to the following Functions/Activities												
	Revenues from continuing operations			Expenses from continuing operations			Operating results from continuing operations			Grants included in revenues from continuing operations		Total assets held (current and non-current)	
	2006 Original Budget	2006 Actual	2005 Actual	2006 Original Budget	2006 Actual	2005 Actual	2006 Original Budget	2006 Actual	2005 Actual	2006 Actual	2005 Actual	2006 Actual	2005 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Governance	-	-	-	2,800	2,803	2,147	(2,800)	(2,803)	(2,147)	-	-	-	-
Administration	5,095	7,820	10,270	64,088	62,089	61,035	(58,993)	(54,269)	(50,765)	3,547	1,847	125,072	129,008
Public Order and Safety	4,717	3,509	1,702	1,410	1,359	909	3,307	2,150	793	-	-	539	427
Health	1,321	1,468	1,836	1,955	2,067	1,978	(634)	(599)	(142)	38	131	148	185
Community Services and Education	4,413	4,387	4,210	7,901	8,161	6,222	(3,488)	(3,774)	(2,012)	1,977	2,088	9,374	9,343
Housing and Community Amenities	313	342	653	14,927	14,122	16,502	(14,614)	(13,780)	(15,849)	414	276	26,393	21,142
Recreation and Culture	7,706	7,891	9,218	17,611	18,330	17,139	(9,905)	(10,439)	(7,921)	688	783	155,879	156,029
Fuel and Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing and Construction	2,841	2,551	2,743	5,224	5,145	5,113	(2,383)	(2,594)	(2,370)	-	-	110	124
Transport and Communication	9,044	7,266	7,934	5,789	8,135	7,125	3,255	(869)	809	468	457	622,401	619,939
Economic Affairs	2,454	2,026	1,449	514	243	172	1,940	1,783	1,277	-	-	46,401	44,715
Total Function/Activities	37,904	37,260	40,015	122,219	122,454	118,342	(84,315)	(85,194)	(78,327)	7,132	5,582	986,317	980,912
Shares of gains or losses in Associates and Joint Ventures using the Equity Method	-	359	211	-	-	-	-	359	211	-	-	699	340
General Purpose Revenues	87,600	89,622	85,048	-	-	-	87,600	89,622	85,048	5,980	5,605	-	-
Surplus/(deficit) from all activities	125,504	127,241	125,274	122,219	122,454	118,342	3,285	4,787	6,932	13,112	11,187	987,016	981,252

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 2(b) – Components of Functions

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

Governance

Costs relating to the Council's role as a component of democratic government, including elections, member's fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

Administration

Costs not otherwise attributed to other functions.

Public order and safety

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

Health

Administration and inspection, immunisation, food control, insect/vermin control, noxious plants, health centres, other.

Community services and education

Administration, family day care, child care, youth services, other families and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

Housing and community amenities

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, public cemeteries, public conveniences, other community amenities.

Recreation and culture

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

Mining, manufacturing and construction

Building control, abattoirs, quarries and pits, other.

Transport and communications

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, street lighting, other.

Economic affairs

Camping areas, caravan parks, tourism and area promotion, industrial development promotions, saleyards and markets, real estate development, other business undertakings.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - Revenues From Continuing Operations

	2006 Actual \$'000	2005 Actual \$'000
(a) Rates and annual charges		
Ordinary rates		
Residential	29,410	27,953
Business	31,616	30,256
Total ordinary rates	61,026	58,209
Special rates		
Open space	1,394	1,328
Economic development	545	522
Suburban infrastructure	2,101	1,984
CBD infrastructure	1,431	1,363
Total special rates	5,471	5,197
Annual charges (pursuant to s.496 and s.501)		
Domestic waste management services	11,267	10,410
Waste management services (not domestic)	801	760
Total annual charges	12,068	11,170
Total rates and annual charges	78,565	74,576
*Rates levied in the 2005/06 financial year are based on Valuer General's valuations determined in July 2004		
(b) User charges and fees		
User charges (pursuant to s.502)		
Golf course	619	590
Pools	713	449
Halls	303	294
Parks and reserves	156	173
Parramatta Riverside Theatres	2,122	2,958
Parking meters	1,575	-
Other	217	285
Total user charges	5,705	4,749
Fees		
Sec 611	109	108
Planning and building	1,372	1,513
Development advertising fee	168	224
Building inspection fee	187	219
Childcare parent fees	1,720	1,607
Construction zone fee	274	13
Cooling towers licence	51	53
Library fees and photocopy	34	26
Entertainment inspection fee	40	20
Subdivision release fee	109	174
Food premises licence	61	78
Application for outstanding notices	69	60
Road opening permits	239	179
Tree preservation fees	63	58
Construction certificate	302	213
Hoarding fees	210	217
Other	365	317
Total user charges and fees	11,078	9,828

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - Revenues From Continuing Operations (continued)

	2006 Actual \$'000	2005 Actual \$'000
(c) Interest and investment revenue		
Overdue rates and charges	174	144
Cash, cash equivalents and investments		
- Section 94 restricted	1,195	1,178
- Other externally restricted	1,676	2,113
- Internally restricted	1,038	1,021
- Unrestricted	994	411
Total interest and investment revenue	5,077	4,867
(d) Other revenues		
Parking fines	2,600	2,061
Other fines	466	460
Rental income:		
- Investment property	-	-
- Other property	7,745	8,075
Legal fees recovery	146	85
Insurance claims	50	164
Commissions and agency fees	49	3
Sales - general	294	317
Discount received	-	-
Outdoor dining rentals	114	97
Rebates	21	54
Technical services - external	36	141
Childcare assistance and fundraising	13	8
Building insurance and commission	10	19
Riverside Theatres bar and catering sales	244	215
Resident parking scheme	11	-
Insurance provision writeback	-	798
Other	318	363
Total other revenues	12,117	12,860

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 3 - Revenues From Continuing Operations (continued)

	Operating (\$'000)		Capital (\$'000)	
	2006 Actual	2005 Actual	2006 Actual	2005 Actual
(e) Grants				
General purpose (untied)				
Financial assistance	5,222	4,815	-	-
Pensioner rates subsidies	758	790	-	-
Specific purpose				
Pensioner rates subsidies				
- DWM	268	277	-	-
Artstart program	-	50	-	-
Childcare	1,040	1,076	38	-
Transport	10	-	1,668	743
Home support	555	504	-	-
Library	368	366	150	32
Streetlighting subsidy	468	457	-	-
Noxious weeds	-	38	13	-
Upper Parramatta River Catchment Trust	15	35	535	33
NSW Department of Land and Water Conservation	-	-	-	36
Dept Infrastructure Planning and Natural Resources	148	-	-	-
Ministry of the Arts	205	60	-	-
Environmental	140	-	-	-
Parks and reserves	-	19	21	115
Greenspace	-	-	-	60
Community services	94	110	-	-
Rural Fire Service	-	-	-	568
Enviro Trust Duck River Stage 3	-	-	-	33
SES	-	-	-	36
NSW government grants	139	697	-	-
Federal Dept of Education and Training	21	-	-	-
Dept Agriculture Fisheries and Forestry	-	-	19	-
Natural Disaster Mitigation Program	-	-	543	-
Flood mitigation	-	-	612	-
Other	60	89	2	148
Total grants	9,511	9,383	3,601	1,804
Comprising:				
-Commonwealth funding	913	832	1,125	291
-State funding	8,598	8,551	2,476	1,513
-Other funding	-	-	-	-
	9,511	9,383	3,601	1,804
(f) Contributions				
Developer contributions:				
- Section 94	-	-	4,068	5,643
RTA contributions (Regional/Local, Block Grant)	251	260	-	-
Kerb and gutter	53	(11)	-	-
Road restoration contributions	552	861	-	-
Long service leave contributions	190	99	-	-
Other sponsorship received	89	157	-	-
Parking space levy contribution	852	817	-	-
Vehicle entry construction fees	-	-	7	31
Private use licence fees	239	217	-	-
Environmental	2	-	-	-
Storm damage	-	200	-	-
Salary sacrifice motor vehicle contributions	342	284	-	-
Parramatta Road project	-	85	-	-
Other	73	272	215	376
Total contributions	2,643	3,241	4,290	6,050
Total grants and contributions	12,154	12,624	7,891	7,854

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 3 - Revenues From Continuing Operations (continued)

	2006 Actual \$'000	2005 Actual \$'000
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:		
Opening Balance grants and contributions recognised in the current period which have not been spent	24,323	22,050
Less:		
Grants and contributions recognised in previous reporting periods which have been spent in the current reporting period	7,097	7,023
Add:		
Amounts recognised as revenues in the current reporting period but have not been expended	6,961	<u>9,296</u>
Closing Balance grants and contributions recognised in the current period which have not been spent	24,187	<u>24,323</u>
Net increase/(decrease) in restricted grants and contributions	(136)	2,273

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 4 - Expenses From Continuing Operations

	2006 Actual \$'000	2005 Actual \$'000
(a) Employee benefits and oncosts		
Salaries and wages	36,907	35,664
Employee leave entitlements	7,231	6,410
Superannuation	3,242	2,614
	<u>47,380</u>	<u>44,688</u>
Travelling	101	74
Workers' Compensation Insurance	2,027	1,685
FBT	602	582
Training costs (excluding salaries)	950	1,009
Recruitment costs	761	366
Other	308	238
Less: Capitalised costs	(2,294)	(1,786)
Total employee costs expensed	<u>49,835</u>	<u>46,856</u>
Number of FTE employees	679	664
(b) Borrowing costs		
Interest on loans	5,475	5,472
Other debts (specify if material)	2	-
Total borrowing costs expensed	<u>5,477</u>	<u>5,472</u>
(c) Materials and contracts		
Raw materials and consumables	3,150	3,139
Contractor and consultancy costs (specify material contracts):		
-Councils Online Project	2,050	2,076
-Other	15,313	17,193
Audit fees:		
-Audit services	70	57
Legal fees:		
-Planning and development	610	733
-Other	414	389
Operating leases:		
-Buildings		
-Computers	580	662
-Motor vehicles		
-Other	336	201
Total materials and contracts	<u>22,523</u>	<u>24,450</u>

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 4 - Expenses From Continuing Operations (continued)

	Depn/Amor. 2006 Actual \$'000	Depn/Amor. 2005 Actual \$'000
d) Depreciation, amortisation and impairment		
Plant and equipment	1,357	1,424
Office equipment	98	268
Furniture and fittings	118	136
Land improvements (depreciable)	952	359
Buildings	3,813	3,578
Other structures	2,084	1,937
Infrastructure:		
-roads, bridges and footpaths	10,418	10,358
-stormwater drainage	863	857
Intangible Assets	1,177	1,354
Other assets:		
-Library books	628	602
-Other Assets	6	6
Total depreciation and total impairment	21,514	20,879
e) Other expenses		
Other expenses for the year including the following:		
Bad and doubtful debts	2	58
Mayoral fee	64	55
Councillors' fees	306	290
Councillors' (incl. Mayor) expenses	96	86
Insurance	1,391	1,274
Streetlighting	1,879	1,947
Electricity and heating	923	808
Telephone	1,014	1,069
Contributions and donations	2,216	2,063
Subscriptions and memberships	432	294
Valuation fees	227	188
Advertising	1,001	994
Promotions and publicity	540	1,037
Car registrations	143	160
Water	372	311
Waste disposal services	3,819	4,029
Computer maintenance and software purchases	1,239	988
Catering, meetings and Civic receptions	710	451
Bank charges	360	334
Rent collections costs	137	117
Postage	244	283
Couriers	8	10
Microfilming	113	102
Insurance excess	390	180
Artists in mall and other artists	1,222	1,135
Traineeships	12	13
Parking space levy	973	908
Stationery	400	391
Parking - Seins costs	740	378
Printing and design	309	262
Scanning	67	97
Other	366	373
Total other expenses from continuing operations	21,715	20,685

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 5 - Net Gain or Loss on Disposal of Assets

	2006 Actual	2005 Actual
	\$'000	\$'000
Gain (or loss) on disposal of Property		
Proceeds from disposal	213	3,906
Less: Carrying amount of assets sold	1,711	1,226
Gain (or loss) on disposal	(1,498)	2,680
Gain (or loss) on disposal of Infrastructure, Plant and Equipment		
Proceeds from disposal	1,223	2,088
Less: Carrying amount of assets sold	1,115	2,314
Gain (or loss) on disposal	108	(226)
Net gain (or loss) from disposal of assets	(1,390)	2,454

Note: The loss on sale of assets is primarily due to the conversion of land at Charles Street from operational land to land under roads. As Council doesn't recognise land under roads in its asset register this operational land is treated as a disposal.

Note 6(a) - Cash and Cash Equivalents

	2006 Actual	2005 Actual
Cash at bank and on hand	178	303
Deposits at call	5,514	4,279
Total Cash Assets	5,692	4,582

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 6(b) - Investments

	2006 Actual		2005 Actual	
	Current	Non-current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
The following financial assets are held as investments:				
Financial assets at fair value through Profit and Loss	59,810			
Held to maturity investments	17,090	-	17,897	-
Available for sale financial assets		-	60,131	-
Total	76,900	-	78,028	-
Held to maturity investments				
At beginning of year	17,897	-	29,770	-
Additions	345	-	367	-
Disposals	1,152	-	12,240	-
At end of year	17,090	-	17,897	-
Comprising of:				
– Term Deposits	17,090	-	17,897	-
	17,090	-	17,897	-
Financial assets at fair value through Profit and Loss				
At beginning of year	60,131	-	50,605	-
Additions	40,352	-	73,743	-
Disposals	40,673	-	64,217	-
At end of year	59,810	-	60,131	-
Comprising of:				
– Managed Funds	59,810	-	60,131	-
	59,810	-	60,131	-

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 6(c) - Restricted Cash, Cash Equivalents and Investments

	2006 Actual		2005 Actual	
	Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
Total cash, cash equivalents and investments	82,592	-	82,610	-
External restrictions	52,343	-	51,866	-
Internal restrictions	16,930	-	17,125	-
Unrestricted	13,319	-	13,619	-
	82,592	-	82,610	-
	Opening Balance 30th June 2005 \$'000	Transfers to Restrictions \$'000	Transfers from Restrictions \$'000	Closing Balance 30th June 2006 \$'000
External restrictions				
<i>Included in liabilities</i>				
Specific purpose unexpended loans (A)	23,194	2,360	3,510	22,044
	23,194	2,360	3,510	22,044
Other				
Developer contributions (D)	21,734	5,263	6,054	20,943
Specific purpose unexpended grants (F)	2,364	4,576	4,080	2,860
Domestic waste management (I)	116	2,782	2,023	875
Clyde Camellia special rate	4			4
Open space special rate	695	1,438	1,345	788
Economic development special rate	235	556	413	378
Suburban infrastructure special rate	1,822	2,192	2,606	1,408
CBD infrastructure special rate	1,477	1,520	338	2,659
Other	225	342	183	384
Total external restrictions	51,866	21,029	20,552	52,343
Internal restrictions				
Plant and vehicles-replacement	297	2,578	2,531	344
Employee leave entitlements	2,655	1,018	-	3,673
Computerised management information	564	1,059	1,080	543
Organisational development	1,321	480	-	1,801
Westfield development	27	-	27	-
Property development	2,674	1,058	2,832	900
Future use contingency	60	-	60	-
Repayment of bonds/deposits	284	-	-	284
Street furniture	3,101	184	-	3,285
Open space and recreation	63	60	21	102
Uncompleted works revenue	1,916	4,538	3,708	2,746
Civic Place Redevelopment	2,291	1,387	1,925	1,753
Childcare	184	-	93	91
Council election	157	125	-	282
Insurance	1,009	-	-	1,009
Training	101	-	101	-
Residents' Panel	100	-	-	100
Community development	171	-	171	-
City design	-	209	192	17
Other	150	-	150	-
Total internal restrictions	17,125	12,696	12,891	16,930
Total internal restricted cash	17,125	12,696	12,891	16,930

PARRAMATTA CITY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006**

Note 6(c) - Restricted Cash, Cash Equivalents and Investment (continued)

- A. Loan moneys which must be applied for the purposes for which the loans are raised.
- B. Advances by the Roads & Traffic Authority for works on State's classified roads.
- C. Self-insurance liability resulting from reported claims and claims incurred but not reported.
- D. Developers' contributions not yet expended for the provision of services and amenities in accordance with the contributions plans (see Note 17).
- E. RTA contributions not yet expended for the provision of services and amenities in accordance with those contributions.
- F. Grants which are not yet expended for the purpose for which the grants were obtained. (see Note 1).
- G - I. Water, Sewerage and Domestic Waste Management (DWM) are externally restricted assets which must be applied to the purpose for which they were raised
- J. Reserve created by resolution of Council to provide cash resources relating to the liability shown at Note 10

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 7 - Receivables

Purpose	2006 Actual		2005 Actual	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Rates and annual charges	3,217	193	2,478	155
User charges and fees	629	-	597	-
Accrued interest on investments	66	-	71	-
Government grants and subsidies	607	-	558	-
Restorations / reinstatements	179	-	338	-
GIO Workers Compensation	35	-	87	-
Car park leases	1,291	-	604	-
RTA - various	582	-	595	-
UPRCT - various	597	-	105	-
Parking space levy	218	-	439	-
Riverside Theatres Parramatta	75	-	297	-
Australian Taxation Office - GST	719	-	415	-
Accrued fines	320	-	155	-
Accrued asset sales	391	-	392	-
Employee receivables	34	-	49	-
Licencing receivables	127	-	66	-
Property leases	288	-	264	-
Work zones	114	-	-	-
Storm damage	-	-	200	-
Natural Disaster Mitigation Program	328	-	-	-
Other	77	-	276	-
Total	9,894	193	7,986	155
Less: Provision for doubtful debts				
- Rates and annual charges	(44)	-	(55)	-
- User charges and fees	(255)	-	(242)	-
	9,595	193	7,689	155
Restricted receivables				
Externally restricted receivables				
Domestic waste management	885	-	-	-
Open space special rate	48	-	48	-
Economic development special rate	25	-	18	-
Suburban infrastructure special rate	80	-	78	-
CBD infrastructure special rate	84	-	53	-
Total externally restricted receivables	1,122	-	197	-
Unrestricted receivables	8,473	193	7,492	155
Total receivables	9,595	193	7,689	155

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 7 - Receivables (continued)

Rates and annual charges

Rates are secured by underlying properties. Interest is charged on overdue rates at the rate of 9% (2005: 9%). Rates are due for payment on the last day of August, November, February and May.

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 \$3.310 million. Where collection of the debt is doubtful and the assessed value of the property is less than the amount outstanding a provision for doubtful debt is recognised for the shortfall.

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 this class of debtor has already been provided in an amount of \$255,000 as shown in the previous page.

Government grants

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

Note 8 - Inventories and Other Assets

	2006 Actual		2005 Actual	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Inventories				
Stores and materials	223	-	219	-
Trading stock	8	-	9	-
Total	231	-	228	-
Other assets				
Prepayments	46	-	479	-
Total	46	-	479	-

PARRAMATTA CITY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006**

**Note 9(a) - Infrastructure, Property, Plant and Equipment
\$'000**

ASSET TYPE	At 30th June 2005				Movements during year				At 30th June 2006			
	Cost/ Deemed Cost	Fair Value	Acc. Depr'n and impairment	WDV	Additions	WDV of disposals	Deprn and Impairment	Transfers/ Adjustments	Cost/ Deemed Cost	Fair Value	Acc. Depr'n and impairment	WDV
Plant and Equipment	13,785	-	6,745	7,040	2,794	1,114	1,357	-	14,071	-	6,708	7,363
Office Equipment	4,037	-	3,601	436	-	-	98	(4)	4,034	-	3,700	334
Furniture and Fittings	2,638	-	2,085	553	64	-	118	-	2,703	-	2,202	501
Leased Plant and Equipment	-	-	-	-	-	-	-	-	-	-	-	-
Land												
- Operational Land	98,637	-	-	98,637	-	1,315	-	(3,200)	94,122	-	-	94,122
- Community Land	73,622	-	-	73,622	4,314	-	-	-	77,937	-	-	77,937
- non depr. land improv'ts	-	-	-	-	-	-	-	-	-	-	-	-
- land under roads	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depr.	14,574	-	2,209	12,365	1,416	1	952	-	15,988	-	3,160	12,828
Buildings	168,330	-	66,248	102,082	3,240	396	3,813	-	170,003	-	68,891	101,112
Other Structures	39,970	-	20,994	18,976	1,977	-	2,084	-	41,947	-	23,078	18,869
Infrastructure												
- Roads, bridges, footpaths	883,572	-	365,873	517,699	10,137	-	10,418	-	893,709	-	376,291	517,418
- Bulk earthworks (non-depr.)	-	-	-	-	-	-	-	-	-	-	-	-
- Stormwater drainage	86,177	-	39,766	46,411	3,657	-	863	-	89,834	-	40,629	49,205
- Water Supply Network	-	-	-	-	-	-	-	-	-	-	-	-
- Sewerage Network	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets												
- Heritage Collections	2,166	-	-	2,166	2	-	-	-	2,168	-	-	2,168
- Library Books	5,818	-	4,277	1,541	543	-	628	-	6,361	-	4,905	1,456
- Other	787	-	509	278	107	-	6	-	894	-	515	379
Totals	1,394,113	-	512,307	881,806	28,251	2,826	20,337	(3,204)	1,413,771	-	530,079	883,692

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 9(b) - Restricted Property, Plant And Equipment

	2006 \$'000				2005 \$'000			
	Cost	Fair Value	Acc. Depr'n and impairment	WDV	Cost	Fair Value	Acc. Depr'n and impairment	WDV
Domestic waste management								
Plant and equipment	87	-	1	86	71	-	4	67
Total domestic waste	87	-	1	86	71	-	4	67
Total restrictions	87	-	1	86	71	-	4	67

PARRAMATTA CITY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006**

Note 10(a) - Payables, Interest Bearing Liabilities and Provisions

	2006		2005	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods and services	5,420	-	3,821	-
Payments received in advance	147	-	96	-
Accrued expenses	4,530	-	4,778	-
Deposits and retentions	4,142	-	4,455	-
Total payables	14,239	-	13,150	-
Interest bearing liabilities				
Bank overdraft	-	-	507	-
Loans				
– Secured(1)	3,318	93,687	3,066	94,645
Total interest bearing liabilities	3,318	93,687	3,573	94,645
Provisions				
Annual leave(2)	4,620	-	4,508	-
Sick leave(2)	1,717	-	1,661	-
Long service leave(2)	8,025	453	7,586	300
Insurance excesses	748	-	370	-
Time in lieu(2)	119	-	145	-
Other	-	-	11	-
Total provisions	15,229	453	14,281	300
Liabilities relating to restricted assets				
Domestic waste management	543	-	116	-
Other	748	-	404	-
Total	1,291	-	520	-

Notes:

(1) Loans are secured over the rating income of Council.

(2) Vested ELE is all carried as a current provision.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 10(b) - Description of and Movements in Provisions

Class of Provision	Opening Balance 30th June 2005 \$'000	Increases in provision \$'000	Reduction of Provisions		Closing Balance 30 June 2006 \$'000
			Payments \$'000	Re-Measurement \$'000	
Annual leave	4,508	112	-	-	4,620
Sick leave	1,661	56	-	-	1,717
Long service leave	7,886	592	-	-	8,478
Self-insurance	370	378	-	-	748
Time in lieu	145	-	26	-	119
Other	11	-	11	-	-
Total	14,581	1,138	37	-	15,682

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 11 - Reconciliation Of Cash Flow Movements

	Notes	2006 Actual \$'000	2005 Actual \$'000
(a) Reconciliation of cash			
Total cash and cash equivalents	6	5,692	4,582
Less: Bank overdraft	10	-	507
Balances per cash flow statement		5,692	4,075
(b) Reconciliation of net operating result to cash			
provided from operating activities			
Net operating result from Income statement		4,787	6,932
Add:			
Depreciation and impairment		21,514	20,879
Increase in provision for doubtful debts		2	58
Increase in provision for leave entitlements		723	841
Increase in provision for self insurance		378	-
Decrease in receivables		-	399
Decrease in other current assets		433	1,128
Increase in payables		1,121	-
Increase in accrued interest payable		-	283
Loss on sale of assets		1,390	-
		30,348	30,520
Less:			
Decrease in provision for self insurance		-	798
Increase in receivables		1,946	-
Increase in inventories		3	11
Increase in equity shares in associates/JV		359	211
Decrease in payables		-	1,025
Decrease in accrued interest payable		32	-
Gain on sale of assets		-	2,454
Net cash provided from (or used in) operating activities from cash flow statement		28,008	26,020

PARRAMATTA CITY COUNCIL

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006**

Note 11 - Reconciliation Of Cash Flow Movements (continued)

	2006 Actual \$'000	2005 Actual \$'000
(c) Non-cash financing and investing activities		
- Acquisition of plant and equipment by means of finance leases	-	-
- PwD construction	-	-
- Bushfire grants	-	-
- s. 94 contributions in kind	-	-
- Other	-	-
	-	-
(d) Financing arrangements		
Unrestricted access was available at balance date to the following:		
Bank overdraft facility*	1,000	1,000

* The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are variable while the rates of loans are set for the period of the loan.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 12 - Commitments For Expenditure

	2006 Actual \$'000	2005 Actual \$'000
(a) Capital commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Buildings	309	531
- Other structures	2,193	1,845
- Plant and equipment	81	-
Total	2,583	2,376
These expenditures are payable as follows:		
- Not later than one year	2,583	2,376
- Later than one year and not later than five years	-	-
- Later than five years	-	-
Total	2,583	2,376
(b) Service commitments		
Other non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities include:		
- Audit services	-	-
- Waste management services	2,870	4,900
- Cleaning services	-	-
- Legal services	-	-
- IT system	11,890	13,833
- Courier services	-	-
- Fleet management	-	-
- Other	-	-
Total	14,760	18,733
These expenditures are payable as follows:		
- Not later than one year	4,731	5,904
- Later than one year and not later than five years	7,243	8,268
- Later than five years	2,786	4,561
Total	14,760	18,733

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 12 - Commitments For Expenditure (continued)

	2006 Actual \$'000	2005 Actual \$'000
(c) Finance lease commitments		
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 five years	-	-
- Later than five years	-	-
Total	-	-
Minimum lease payments	-	-
Less: future finance charges	-	-
Lease liability	-	-
Representing lease liabilities:		
- Current	-	-
- Non-Current	-	-
Total	-	-
(d) Operating lease commitments		
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:		
- Not later than one year	1,088	897
- Later than one year and not later than two years	950	748
- Later than five years	47	58
Total	2,085	1,703
(e) Repairs and maintenance: investment property		
Contractual obligations for future repairs and maintenance	-	-
Total	-	-
(f) Remuneration commitments		
Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:		
Within one year	2,549	2,222
Later than one year and not later than five years	4,228	5,545
Later than five years	-	-
Total	6,777	7,767

Council has entered into non-cancellable operating leases for various items on plant and equipment.

- Contingent rental payments have been determined in accordance with Council's Annual Management Plans which are publicly notified in May/June each year.
- No lease imposes any additional restrictions on Council in relation to additional debt or further leasing.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 13 - Statement Of Performance Measures

	<u>Amounts</u>	2006	2005	2004	2003
	\$'000		<u>Indicators</u>		
1. Current Ratio					
<u>Current Assets</u>	95,664	2.92:1	2.94:1	4.43:1	5.51:1
Current Liabilities	32,786				
2. Unrestricted current ratio					
<u>Current Assets less All External Restrictions**</u>	42,199	2.35:1	2.38:1	2.29:1	2.41:1
Current Liabilities less Specific Purpose Liabilities*	17,933				
3. Debt service ratio					
<u>Debt Service Cost</u>	8,543	7.55%	7.20%	6.42%	6.22%
Revenue from continuing operations excluding capital items and specific purpose grants/contributions	113,176				
4. Rate coverage ratio					
<u>Rates & Annual Charges.</u>	78,565	61.75%	59.53%	60.15%	60.60%
Revenue for continuing operations	127,241				
5. Rates and annual charges outstanding percentage					
<u>Rates & Annual Charges Outstanding</u>	3,366	4.13%	3.35%	3.10%	2.85%
Rates & Annual Charges Collectible	81,463				

* Refer to Note 10(a)

** Refer to Notes 6-8 inclusive

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 14 - Investment Properties

	2006 Actual \$'000	2005 Actual \$'000
At fair value		
Opening balance at 1 July	-	-
Acquisitions	-	-
Capitalised subsequent expenditure	-	-
Classified as held for sale or disposals	-	-
Net gain (loss) from fair value adjustment	-	-
Transfer (to) from inventories and owner occupied property	-	-
Closing balance at 30 June	-	-
(a) Amounts recognised in profit and loss for investment property		
Rental income	-	-
Net gain (loss) from fair value adjustment	-	-
Direct operating expenses from property that generated rental income	-	-
Direct operating expenses from property that did not generate rental income	-	-
(b) Valuation basis		
The basis of the valuation of investment properties is 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 and subject to similar leases. The 2006 revaluations were based on independent assessments made by 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 properties not recognised in the financial statements are receivable as follows:		
Within one year	-	-
Later than one year but not later than five years	-	-
Later than five years	-	-
	-	-

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 15 - Financial Instruments

Interest Rate Risk Exposures

The Council's exposure to interest rate risk, and the effective weighted average interest rate for each class of asset and financial liabilities is set out below. Exposure arises predominately from assets and liabilities bearing variable interest rates, which the Council intends to hold as fixed rate assets and liabilities to maturity.

2006	Floating Interest Rate \$'000	Fixed interest maturing in						Non- Interest Bearing \$'000	Total \$'000
		≤ 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	> 5 years \$'000		
Financial assets									
Cash and cash equivalents	5,692	-	-	-	-	-	-	-	5,692
Receivables	-	3,173	193	-	-	-	-	6,422	9,788
Investments	59,810	17,090	-	-	-	-	-	-	76,900
Total	65,502	20,263	193	-	-	-	-	6,422	92,380
Weighted average interest rate	5.92%	6.42%	9.00%						6.16%
Financial liabilities									
Bank overdraft and loans	-	3,318	58,482	3,664	3,855	4,061	23,625	-	97,005
Trade and other payables	-	-	-	-	-	-	-	14,239	14,239
Total	-	3,318	58,482	3,664	3,855	4,061	23,625	14,239	111,244
Weighted average interest rate		6.13%	5.61%	6.14%	6.14%	6.14%	6.06%		5.80%
Net financial assets/(liabilities)	65,502	16,945	(58,289)	(3,664)	(3,855)	(4,061)	(23,625)	(7,817)	(18,864)

2005	Floating Interest Rate \$'000	Fixed interest maturing in						Non- Interest Bearing \$'000	Total \$'000
		≤ 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	> 5 years \$'000		
Financial assets									
Cash	4,564	-	-	-	-	-	-	18	4,582
Receivables	-	2,422	155	-	-	-	-	5,267	7,844
Investments	60,131	17,897	-	-	-	-	-	-	78,028
Total	64,695	20,319	155	-	-	-	-	5,285	90,454
Weighted average interest rate	5.93%	4.99%				9.00%	0.00%		5.65%
Financial liabilities									
Bank overdraft and loans	-	3,573	-	-	-	48,890	45,755	-	98,218
Trade and other payables	-	-	-	-	-	-	-	13,150	13,150
Bills payable	-	-	-	-	-	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-	-	-
Total	-	3,573	-	-	-	48,890	45,755	13,150	111,368
Weighted average interest rate	0.00%	5.24%				5.35%	5.32%		5.78%
Net financial assets/(liabilities)	64,695	16,746	155	-	-	(48,890)	(45,755)	(7,865)	(20,914)

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 15 - Financial Instruments (continued)

(b) Net fair value

The aggregate net fair values of Council's financial assets and financial liabilities are detailed as follows:

	2006 Actual		2005 Actual	
	Carrying amount \$'000	Aggregate net fair value \$'000	Carrying amount \$'000	Aggregate net fair value \$'000
Financial assets				
Cash and cash equivalents	5,692	5,692	4,582	4,582
Investments	76,900	76,900	78,028	78,028
Receivables	9,788	9,788	7,844	7,844
Total	92,380	92,380	90,454	90,454
Financial liabilities				
Payables	14,239	14,239	13,150	13,150
Interest bearing liabilities	97,005	97,005	98,218	98,218
Total	111,244	111,244	111,368	111,368

(c) Credit risk

The credit risk of financial assets, excluding investments, is the carrying amount net of any provision for doubtful debts.

Council has an investment policy which seeks to minimise the risk of capital loss. Investments are placed in accordance with the Local Government Investment Order which restricts investments to securities carrying a credit rating of 'A' or better.

Debtors for rates and annual charges are secured by a charge over the land to which it relates. There are no significant concentrations of credit risk to any single debtor or group of debtors.

(d) Policies

Accounting policies in respect to financial assets and financial liabilities are described in Note 1.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 16 - Material Budget Variations

Council's original budget was incorporated as part of the Management Plan 2005/06 – 2008/09 adopted by the Council on 26 June 2005. The original projections on which the budget was based have been affected by a number of factors. This note sets out the details of material variations (F - Favourable and U - Unfavourable) between the original budget and actual results for the Statement of Financial Performance.

Revenues

1. User charges and fees under budget by \$808,000 (U) (6.79%)

- * Swimming centres revenues were under budget by \$211,000 (U) (22.8%). Significant rainfall reduced expected demand. Some minor variations also occurred due to changes in the level of economic activity.
- * Parking meters revenues were under budget \$982,000 (U) (39.3%) reflecting low utilization of parking meters introduced in the middle of the financial year. Also Council has relaxed its requirements on the use of parking meters on weekends and after hours.
- * Child Care fees were down \$246,000 (U) (12.5%) due to low utilisation of centres on Mondays and Fridays as parents cut down on number of day care services.
- * Development Application fees were under budget \$406,000 (U) (30.0%) due to a downturn in the property market and a substantial reduction in the number of development applications received especially the larger projects such as commercial and residential flat buildings.
- * The under budget revenues were mitigated by over budget primarily in Riverside ticket sales \$495,000 (F) (63.8%) and Road Opening permits, Construction Zone fees and Hoarding fees \$505,000 (F) (131.7%).

2. Grants and contributions provided for capital purposes over budget by \$1,605,000 (F) (25.54%)

- * Grants for Flood Mitigation and Roads Projects of about \$2 million were accrued for actual project expenditures that are funded from various government grants but were not received as at year end. Breakdown of these accruals follows: Federal Blackspot (\$30,000), RTA Local Network (\$60,000), Regional Bicycle Facilities (\$240,000), Flood Mitigation Program (\$852,000), Road Rehabilitation (\$251,000), Acquisition of Flood Prone Property (\$229,000) and Fish Ladders Parramatta River project (\$66,000).

3. Interest received

- * The actual amount of interest revenue received was over budget by \$817,000 (F) (19.18%). This was primarily due to better interest rates and higher investments balances invested

4. Other Revenues under budget by \$1,613,000 (U) (11.75%)

- * The under budget is primarily due to lower leasing revenues from car parks \$1,407,000 (U) (25.8%). The planned management rights whereby Council will operate the Car parks instead of continuing to lease them was put off to the next financial year.
- * Lease Rentals from Council properties were under budget \$289,000 (U) (7.98%) due to lease in Darcy Street accrued in prior year and reversed during the financial year as the lease did not materialise.
- * Over estimated income from State Government of \$140,000 to pay for storm damage cleanup in previous years was reversed during the year.

Expenses

5. Other Expenses over budget by \$1,786,000 (U) (8.97%)

- * Artists in Mall and Other Artists were over budget by \$301,000 (U) (46.6%) due to Riverside increased activities with corresponding higher revenues.
- * Catering and Function expenses were over budget by \$400,000 due to General Events and Sydney Festival expenses which were budgeted under Materials and Contracts. Materials and contracts came in \$829,000 under budget (F) (3.5%)
- * Computer Maintenance and Software Purchases was over by \$268,000 (U) (27.6%) due to acquisition of software for Residents' Panel. Parking Signs Costs were over budget by \$322K (U) (77%)
- * Telephone and Communication was over budget by \$174,000 (U) (20.7%)
- * Subscriptions and memberships was over by \$146,000 (U) (51%)
- * Printing and Design expenses were over by \$185,000 (U) (149%)

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 16 - Material Budget Variations (continued)

6. Loss on disposal of assets \$1,390,000

Net loss is primarily from Council's take up of car park land at Hassall Street due to the extension of Church Street.

In addition to the above mentioned items, minor favourable and unfavourable variations occurred throughout the year in a number of revenue and expense items. All variations have been monitored and reported to Council on a regular basis.

Note 2A

2.1 Administration - \$4,725,000 (8.0%) (F)

* Revenues were \$3,205,000 over budget mainly due to Capital Grants and Contributions for Engineering and works while expenses were below budget mainly on employee costs.

2.2 Public Order and Safety - \$1,157,000 (35%) (U)

* This variation is primarily due to Parking Meters revenues which were down \$952,000 (39.3%) against budget. Utilisation rate of parking meters was low during the six months of its operations during the year. Parking fines revenues came below budget by \$284,000 (12.8%)

2.3 Community Services and Education - \$288,000 (8.3%) (U)

* This variation is attributable to the acquisition of software for the Residents Panel.

2.4 Mining, Manufacturing and Construction - \$211,000 (8.9%) (U)

* Revenue is \$290,000 (10.2%) (U) lower than budget due to reduced development application fees received .

2.5 Transport and Communication - \$4,124,000 (126.7%) (U)

* The variation is mainly due to the shortfall in Car Parking revenue by \$1,407,000 (U) (25.8%) as the planned management rights agreement for operating the car parks did not happen during the year. Under this arrangement, Council would be operating the car parks as opposed to generating leasing income from the car park building that Council own.

* Significant variation in expenses were due to higher spending on roads and footpaths as major area of Council works during the year.

2.6 Economic Affairs - \$157K (8.1%) (U)

* Variation mainly due to lower revenues from lease rentals of Council owned properties.

General Purpose Revenues - \$2,022K (2.3%) (F)

* Interest income from investments and overdue rates was up \$817K (19.2%) while Financial Assistance Grants were \$368K (6.6%) over budget. Likewise rates were \$660K (1%) and annual charges were \$177K (1.5%) higher than budget.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 17 - Statement Of Developer Contributions

Summary of Developer Contributions

Purpose	Opening balance	Contributions received during the year		Interest earned during the year	Expended during the year	Held as restricted asset	Projected future contributions	Projected cost of works still outstanding	Projected over/ (under) funding
		Cash	Non-cash						
		\$'000	\$'000						
Parking	2,358	-	-	136	-	2,494	-	2,494	-
Traffic facilities	1,030	955	-	81	215	1,851	18,544	20,395	-
Community facilities	4,368	261	-	244	526	4,347	3,675	8,022	-
Open space	10,313	2,486	-	546	4,216	9,129	37,415	46,544	-
Other	958	366	-	53	400	977	3,830	4,807	-
Subtotal s94 under plans	19,027	4,068	-	1,060	5,357	18,798	63,464	82,262	-
Sec 94 not under plans	2,707	-	-	135	697	2,145	-	2,145	-
Sec 64 contributions	-	-	-	-	-	-	-	-	-
Total contributions	21,734	4,068	0	1,195	6,054	20,943	63,464	84,407	-

Contribution Plan No. 1

Purpose	Opening balance	Contributions received during the year		Interest earned during the year	Expended during the year	Held as restricted asset	Projected future contributions	Projected cost of works still outstanding	Projected over/ (under) funding
		Cash	Non-cash						
		\$'000	\$'000						
Parking	2,358	-	-	136	-	2,494	-	2,494	-
Traffic facilities	1,030	955	-	81	215	1,851	18,544	20,395	-
Community facilities	4,368	261	-	244	526	4,347	3,675	8,022	-
Open space	10,313	2,486	-	546	4,216	9,129	37,415	46,544	-
Other	958	366	-	53	400	977	3,830	4,807	-
Total contributions	19,027	4,068	-	1,060	5,357	18,798	63,464	82,262	-

Note 18 - Contingencies

Contingent liabilities

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

- Various appeals before the Land and Environment Court \$122,000
- Other legal contingencies total \$73,000

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 19 - Investments Accounted For Using The Equity Method

Joint venture partnership

Parramatta City Council is one of seven councils that have entered into a mutual agreement with Westpool for the management of public liability and property insurance.

The interest in Westpool is accounted for in the financial statements using the equity method of accounting and is carried at cost. Information relating to the joint venture partnership is set out below.

	2006 Actual \$'000	2005 Actual \$'000
Carrying amount of investment in partnership	340	129
Share of partnership's assets and liabilities		
Current assets	2,824	2,266
Non-current assets	4	5
Total assets	2,828	2,271
Current liabilities	574	298
Non-current liabilities	1,555	1,633
Total liabilities	2,129	1,931
Net assets	699	340
Share of partnership's revenue, expenses and results		
Revenues	1,161	1,230
Expenses	802	1,019
Operating result	359	211
Share of partnership's commitments		
Lease commitments	-	-
Other commitments (other than for the supply of inventories)	-	-
Total expenditure commitments	-	-
Capital commitments	-	-
	-	-

Contingent liabilities relating to joint ventures

Each of the partners in Westpool are jointly and severally liable for the debts of the partnership. The assets of the partnership exceed its debts.

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 20 - Revaluation Reserves And Retained Earnings

	2006 Actual \$'000	2005 Actual \$'000
(a) Revaluation reserves		
Infrastructure, property, plant and equipment revaluation reserve	-	-
Available-for-sale investments revaluation reserve	-	-
	-	-
Movements:		
Property, plant and equipment revaluation reserve	-	-
At beginning of year	-	-
Revaluation – gross	-	-
Depreciation transfer – gross	-	-
At end of year	-	-
Available-for-sale investments revaluation reserve		
At beginning of year	-	-
Transfer to net profit – gross	-	-
At end of year	-	-
(b) Retained earnings		
Movements in retained earnings were as follows:		
At beginning of year	855,303	851,579
Adjustment on adoption of AASB 132 and AASB 139	-	-
Correction of previous year error(see below)	-	(3,208)
Net operating result for the year	4,787	6,932
At end of year	860,090	855,303
Nature and purpose of reserves		
(i) Infrastructure, property, plant and equipment revaluation reserve		
The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.	-	-
(ii) Available-for-sale investments revaluation reserve		
Changes in fair value are taken to the available-for-sale investments revaluation reserve, as described in Note 1(k). Amounts are recognised in profit and loss when the associated assets are sold or impaired.	-	-
(d) Correction of error in previous years		
Council had not previously recognised buildings, other structures, land improvements and some cultural assets to the value of \$9.756 million. This has been offset by the identification of bridges worth \$12.964 million which were on Council's books but we didn't own those assets.		
An adjustment has been made to equity in last years accounts for the net amount of \$3.208 million.	-	(3,208)
	-	(3,208)

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 21 - Explanation of Transition to Australian Equivalents to IFRS

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)

(a) At the date of transition to AIFRS: 1 July 2004.

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		16,984	-	16,984
Investments		52,917	-	52,917
Receivables		8,138	-	8,138
Inventories		216	-	216
Other		1,609	-	1,609
Non-current assets classified as held for sale			-	
Total current assets		79,864	-	79,864
Non-current-assets				
Receivables		163	-	163
Infrastructure, property, plant and equipment		870,320	-	870,320
Investments accounted for using equity method		129	-	129
Investments		27,458	-	27,458
Total non-current assets		898,070	-	898,070
Total assets		977,934	-	977,934
LIABILITIES				
Current liabilities				
Payables		9,409	-	9,409
Interest bearing liabilities		2,852	-	2,852
Provisions		5,776	-	5,776
Total current liabilities		18,037	-	18,037
Non-current liabilities				
Payables		4,485	-	4,485
Interest bearing liabilities		95,073	-	95,073
Provisions		8,760	-	8,760
Total non-current liabilities		108,318	-	108,318
Total liabilities		126,355	-	126,355
Net assets		851,579	-	851,579
EQUITY				
Retained earnings		851,579	-	851,579
Total equity		851,579	-	851,579

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 21 - Explanation of Transition to Australian Equivalents of IFRS (continued)

(2) Reconciliation of operating result under previous AGAAP to operating result under Australian equivalents to IFRS (AIFRS)

(a) Reconciliation of operating result for the year ended 30 June 2005.

Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
Income from continuing operations			
Revenue:			
Rates and annual charges	74,576	-	74,576
User charges and fees	9,828	-	9,828
Interest and investment revenue	4,867	-	4,867
Other revenues	12,860	-	12,860
Grants and contributions provided for capital purposes	7,854	-	7,854
Grants and contributions provided for non-capital purposes	12,624	-	12,624
Other Income:			
Net Gain from the disposal of non financial assets	2,454	-	2,454
Share of interests in joint ventures and associates using the equity method	211	-	211
Total income from continuing operations	125,274	-	125,274
Expenses from continuing operations			
Employee benefits and on-costs	46,856	-	46,856
Borrowing costs	5,472	-	5,472
Materials and contracts	22,306	2,144	24,450
Depreciation	20,879	-	20,879
Other expenses	22,829	(2,144)	20,685
Total expenses from continuing operations	118,342	-	118,342
Operating result from continuing operations	6,932	-	6,932
Operating result from discontinued operations			
Net operating result for the year	6,932	-	6,932
Attributable to:			
– Council	6,932	-	6,932
– Minority interests			
Net operating result for the year before grants and contributions provided for capital purposes	(922)	-	(922)

Change in the definition between Materials and Contracts and Other Expenses. Bad and doubtful debts, legal expenses and operating lease rentals moved from Other Expenses to Materials and Contracts.

(\$'000)

2,144

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 21 - Explanation of Transition to Australian Equivalents of IFRS (continued)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Notes	Previous AGAAP \$'000	Effect of transition to AIFRS \$'000	AIFRS \$'000
ASSETS				
Current assets				
Cash and cash equivalents		4,582	-	4,582
Investments		45,871	32,157	78,028
Receivables		7,689	-	7,689
Inventories		228	-	228
Other		479	-	479
Non-current assets classified as held for sale		-	-	-
Total current assets		58,849	32,157	91,006
Non-current-assets				
Receivables		155	-	155
Inventories		-	-	-
Infrastructure, property, plant and equipment		889,751	(7,945)	881,806
Intangibles			7,945	7,945
Investments accounted for using equity method		340	-	340
Investments		32,157	(32,157)	-
Investment property		-	-	-
Other		-	-	-
Total non-current assets		922,403	(32,157)	890,246
Total assets		981,252		981,252
LIABILITIES				
Current liabilities				
Payables		9,405	3,745	13,150
Interest bearing liabilities		3,573	-	3,573
Provisions		4,071	10,210	14,281
Total current liabilities		17,049	13,955	31,004
Non-current liabilities				
Payables		3,745	(3,745)	-
Interest bearing liabilities		94,645	-	94,645
Provisions		10,510	(10,210)	300
Total non-current liabilities		108,900	(13,955)	94,945
Total liabilities		125,949		125,949
Net assets		855,303	-	855,303
EQUITY				
Retained earnings		855,303	-	855,303
Revaluation reserves		-	-	-
Council equity interest		-	-	-
Minority equity interest		-	-	-
Total equity		855,303	-	855,303

Change in the definition of current assets and current liabilities has resulted in a transfer of amounts of investments, provisions and payables as follows:

	(\$'000)
Investments transfer from non-current to current	32,157
Provisions transfer from non-current to current(Employee Leave Entitlements)	10,210
Payables transfer from non-current to current(Bonds and Deposits)	3,745

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 21 - Explanation Of Transition To Australian Equivalents To IFRS (continued)

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adopting of AIFRS has not resulted in any material adjustments to the cash flow statement.

(4) Adjustments on transition to *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*: 1 July 2005

Notes	30 June 2005	Adjustment	1 July 2005
	\$'000	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	4,582	-	4,582
Investments	78,028	-	78,028
Receivables	7,689	-	7,689
Inventories	228	-	228
Other	479	-	479
Non-current assets classified as held for sale	-	-	-
Total current assets	91,006	-	91,006
Non-current-assets			
Receivables	155	-	155
Inventories	-	-	-
Infrastructure, property, plant and equipment	881,806	-	881,806
Intangibles	7,945	-	7,945
Investments accounted for using equity method	340	-	340
Investments	-	-	-
Investment property	-	-	-
Other	-	-	-
Total non-current assets	890,246	-	890,246
Total assets	981,252	-	981,252
LIABILITIES			
Current liabilities			
Payables	13,150	-	13,150
Interest bearing liabilities	3,573	-	3,573
Provisions	14,281	-	14,281
Total current liabilities	31,004	-	31,004
Non-current liabilities			
Payables	-	-	-
Interest bearing liabilities	94,645	-	94,645
Provisions	300	-	300
Total non-current liabilities	94,945	-	94,945
Total liabilities	125,949	-	125,949
Net assets	855,303	-	855,303
EQUITY			
Retained earnings	855,303	-	855,303
Revaluation reserves	-	-	-
Council equity interest	-	-	-
Minority equity interest	-	-	-
Total equity	855,303	-	855,303

PARRAMATTA CITY COUNCIL

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS for the year ended 30th June 2006

Note 22 - Non-Current Assets Classified As Held For Resale

	2006 Actual \$'000	2005 Actual \$'000
Land*	3,200	-

*Hunter St carpark land to be acquired by Integral Energy.

Note 23 - Events Occurring After Balance Sheet Date

- (a) On 21st July 2006, Council signed a development agreement with Grocon for the development of the Parramatta Civic Place site. The agreement received the approval of the Department of Local Government Project Review Committee under their Public Private Partnership Guidelines. The development agreement provides details of the financial transactions to take place over the period of the development. The development agreement will comprise of residential, commercial and retail premises and will also contain public open space. Council's administration facilities, library and gallery, will also be part of this development.

Note 24 - Intangible Assets

Written Down Value	2006 Actual \$'000	2005 Actual \$'000
Councils Online Development	6,768	7,945
	6,768	7,945

Parramatta City Council is contracted to acquire, under a managed service arrangement, a licence to access information technology services. The system solution was designed, developed and built by the contractor with assistance and input of Council employees. A number of costs including system build cost, software and hardware licences, incurred under the contract as well as Council's own costs will give rise to future economic benefits. These costs have been capitalised as an intangible asset to be amortised over the period of the contract.

Amortisation	2006 Actual \$'000	2005 Actual \$'000
Opening Balance	1,473	119
Current Year	1,177	1,354
Closing Balance	2,650	1,473

Parramatta City Council
Independent Audit Report to the Council
(Sections 417(2) – report on the general purpose financial reports)

Scope

We have audited the financial reports of **Parramatta City Council** for the financial year ended 30 June 2006 as set out on pages 1 to 6. The financial reports consist of the general purpose financial reports and Council's statement in the approved form as required by Section 413(2)(a) of the Local Government Act, 1993. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement, Statement of Cash Flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

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

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 Chapter 13, Part 3, Division 2.
- b) The Council's financial reports
 - i. Have been properly prepared in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly the Council's financial position and the results of its operations; and
 - iv. are in accordance with applicable Accounting Standards.
- c) All information relevant to the conduct of the audit has been obtained.
- d) There are no material deficiencies in the accounting records or financial reports that have come to light during the course of the audit.


PricewaterhouseCoopers
Chartered Accountants

JA Gordon
Sydney 2006, 23 October.

23 October 2006

The Lord Mayor
Councillor D. Borger
Parramatta City Council
DX 8279
PARRAMATTA

Dear Councillor Borger

**REPORT ON THE CONDUCT OF THE AUDIT FOR
YEAR ENDED 30 JUNE 2006 – SECTION 417 (3)**

We have completed our audit of the financial reports of Parramatta Council for the year ended 30 June 2006, in accordance with Section 415 of the Local Government Act, 1993.

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

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

Operating Result

Council's operating result for the period was a surplus of \$4.8m compared to \$6.9m for the previous year. The operating result before capital was a deficit of \$3.1m compared with \$922k in the previous year. The reductions mainly relate to a drop in profit on asset sales.

Cash Position

Council's overall cash position has remained relatively stable during the period under review.

The following table highlights the composition of cash.

	6/05	6/06
	\$M	\$M
Externally Restricted	51.9	52.3
Internally Restricted	17.1	16.9
Unrestricted	<u>13.6</u>	<u>13.3</u>
	82.6	82.5

Working Capital

Council's net current assets increased from \$60m to \$63m during the period under review. The principal reason for this increase relates to the recognition of non-current assets held for resale as a current asset for the first time (\$3.2m).

The value of net current assets needs to be adjusted in order to establish Council's available working capital.

	6/05	6/06
	\$'000	\$'000
Net Current Assets	60,002	62,878
<u>Less</u> External Restrictions	51,866	52,343
Internal Restrictions	<u>17,125</u>	<u>16,930</u>
	(8,989)	(6,395)
<u>Add</u> Current Liabilities to be Funded from other sources:	<u>21,092</u>	<u>21,778</u>
Available Working Capital	12,103	15,383

The effective unrestricted or available working capital upon which Council could build its 2006/07 budget was \$15.4m.

Performance Indicators

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

	6/05	6/06
	%	%
Unrestricted Current Ratio	238	235
Debt Service Ratio	7.20	7.55
Rate Coverage Ratio	60	62
Rates Outstanding Ratio	3.35	4.13

The Unrestricted Current Ratio fell slightly against the previous year but remained well above the industry benchmark of 100%.

The Debt Service Ratio increased from 7.2% to 7.55% but still remained below the industry benchmark of 10%.

The Rate Coverage Ratio remained steady at 62% of total revenue.

The Rates Outstanding Ratio increased from 3.35% to 4.13% but remained better than the industry benchmark of 5%.

Council's financial position is considered to be sound and stable. All indicators remain better than accepted industry benchmarks.

General

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

Yours faithfully



PricewaterhouseCoopers

J A Gordon
Partner

**COUNCIL OF THE
CITY OF
PARRAMATTA**

**Special Purpose
Financial Reports and
Special Schedules**

PARRAMATTA CITY COUNCIL
SPECIAL PURPOSE FINANCIAL REPORTS
FOR THE YEAR ENDED 30TH JUNE 2006

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PARRAMATTA CITY COUNCIL

**STATEMENT SPECIAL PURPOSE FINANCIAL REPORTS
FOR THE YEAR ENDED 30TH JUNE 2006**

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

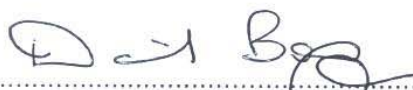
- NSW Government Policy Statement "*Application of National Competition Policy to Local Government*".
- Department of Local Government Guidelines "*Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality*".
- The Local Government Code of Accounting Practice and Financial Reporting.


To the best of our knowledge and belief, these Reports:

- present fairly the operating result and financial position for each of Council's declared Business Activities for the year, and
- accord with Council's accounting and other records.

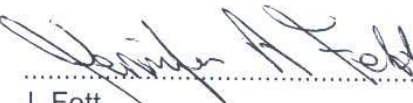
We are not aware of any matter that would render the reports false or misleading in any way.

Signed in Accordance with the resolution of Council made on 23rd October 2006.


.....
D.L. Borger
Lord Mayor


.....
P.B. Barber
Deputy Lord Mayor


.....
J.E. Neish
General Manager


.....
J. Fett
Finance Manager and
Principal Accounting Officer

PARRAMATTA CITY COUNCIL

INCOME STATEMENT BY BUSINESS ACTIVITY

as at 30th June 2006

	Leasing of Council Property \$'000	
	2006 Actual	2005 Actual
Expenses from continuing operations		
Employee costs	353	81
Borrowing costs	2,028	2,028
Materials and contracts	276	308
Depreciation	3,467	463
Other operating expenses	2,511	2,208
Taxation equivalent payments	662	928
Total expenses from continuing operations	9,297	6,016
Revenue from continuing operations		
User charges and fees	-	2
Interest	706	335
Other revenues from ordinary activities	7,938	8,883
Grants and contributions provided for non-capital purposes	852	817
Total revenues from continuing operations	9,496	10,037
Surplus (deficit) from ordinary activities before revenue for capital purposes	199	4,021
Grants and contributions for capital purposes	-	-
Surplus (deficit) from ordinary activities after capital amounts	199	4,021
Surplus (deficit) from all activities before tax	199	4,021
Corporate taxation equivalent (30%) (based on surplus result before capital)	60	1,206
Surplus (deficit) after tax	139	2,815
Dividend payments	139	2,815
Surplus after dividend payment	-	-
Opening retained profits	57,632	55,498
<u>Adjustments for amounts unpaid:</u>		
- Taxation equivalent payments	662	928
- Corporate taxation equivalent	60	1,206
Closing retained profits	58,354	57,632
Return on capital	2.79%	7.32%
Required Rate of Return	5.76%	5.67%
Subsidy by Council	2,372	-

This Statement is to be read in conjunction with the attached Notes.

PARRAMATTA CITY COUNCIL

BALANCE SHEET BY BUSINESS ACTIVITY

as at 30th June 2006

Leasing of Council Property
\$'000

	2006 Actual	2005 Actual
Current assets		
Cash assets	-	-
Investment securities	15,804	12,260
Receivables	288	264
Total current assets	16,093	12,524
Non-current assets		
Investment securities	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Property, plant and equipment	79,841	82,641
Total non-current assets	79,841	82,641
Total assets	95,934	95,165
Current liabilities		
Payables	49	31
Interest bearing liabilities	-	20,000
Provisions	11	1
Total current liabilities	60	20,032
Non-current liabilities		
Payables	-	-
Interest bearing liabilities	37,500	17,500
Provisions	20	1
Total non-current liabilities	37,520	17,501
Net assets	58,354	57,632
Equity		
Accumulated surplus	58,354	57,632
Total equity	58,354	57,632

This Statement is to be read in conjunction with the attached Notes.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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 1993 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 accrual basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

National Competition Policy

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

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

Declared business activities

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

Category 1

Name	Brief Description of Activity
Leasing of Council Properties	To generate income for the Council through the leasing of Council owned shops housing and car parking facilities.

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Monetary amounts

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council nominated business activities and are reflected in the SPFR. For the purposes of disclosing comparative information relevant to the private sector equivalent the following taxation equivalents have been applied to all Council nominated business activities (this does not include Council's non-business activities):

	Notional Rate Applied
Corporate Tax Rate	30%
Land Tax	1.4% and 1.7%
Stamp Duty	N/A
Payroll Tax	6.0%
Other Taxes and Charges	N/A

Income Tax

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

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

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

PARRAMATTA CITY COUNCIL
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 30th June 2006

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Local Government Rates and Charges

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

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 the debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and council’s borrowing rate for its activities.

(ii) Subsidies

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

(iii) Return on Investments (rate of return)

The Policy statement states that Councils with Category 1 businesses “would be expected to generate a rate of return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field.” Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council’s business activities on the Income Statement.

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities. In accordance with National Competition Policy guidelines, it is expected that Business Units will pay dividends to its owner, Council, equivalent to those paid by private sector competitors.

**Parramatta City Council
Special Purpose Financial Reports
Independent Auditors' Report**

Scope

We have audited the special purpose financial reports of **Parramatta City Council** for the year ended 30 June 2006, comprising the Statement by Council, Income Statements of Business Activities, Balance Sheets of Business Activities, and accompanying Notes to the Accounts. The financial statements include the accounts of the business activities of the Council and the entities it controlled at the year's end or from time to time during the year. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. We have conducted an independent audit of these financial statements in order to express an opinion on them to the Council.

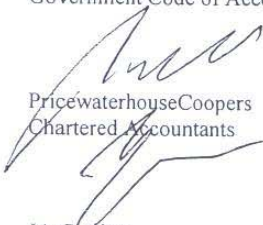
The special purpose financial reports have been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Department of Local Government or for any purpose other than for which the report was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with those Australian Accounting Standards adopted and the Local Government Code of Accounting Practice and Financial Reporting so as to present a view which is consistent with our understanding of the business activities of the Council and their financial position and the results of their operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the Special Purpose Financial Reports of **Parramatta City Council** are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.


PricewaterhouseCoopers
Chartered Accountants

JA Gordon
Sydney 23 March, 2006

PARRAMATTA CITY COUNCIL

SPECIAL SCHEDULE No. 1

NET COST OF SERVICES

for the year ended 30th June 2006

\$'000

Function or Activity

GOVERNANCE

ADMINISTRATION

Corporate Support
Engineering and Works
Other Support Services

PUBLIC ORDER AND SAFETY

Statutory Contribution - Fire Service Levy
Fire Protection - Other
Animal Control
Beach Control
Enforcement of Local Govt Regulations
Emergency Services
Other

HEALTH

Administration and Inspection
Immunisations
Food Control
Insect/Vermin Control
Noxious Plants
Health Centres
Other

COMMUNITY SERVICES AND EDUCATION

Administration
Family Day Care
Childcare
Youth Services
Other Families and Children
Aged and Disabled
Migrant Services
Aboriginal Services
Other Community Services
Education

HOUSING AND COMMUNITY AMENITIES

Housing
Town Planning
Domestic Waste Management
Other Waste Management
Street Cleaning
Other Sanitation and Garbage
Urban Stormwater Drainage
Environmental Protection
Public Cemeteries
Public Conveniences
Other Community Amenities

	Expenses From Ordinary Activities		Revenues From Ordinary Activities			Net Cost Of Services	
	Expenses	Group Totals	Non-Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
GOVERNANCE	2,803		-	-		(2,803)	
		2,803			-		(2,803)
ADMINISTRATION							
Corporate Support	52,693		3,208	1,095		(48,390)	
Engineering and Works	9,396		677	2,840		(5,879)	
Other Support Services	-		-	-		-	
		62,089			7,820		(54,269)
PUBLIC ORDER AND SAFETY							
Statutory Contribution - Fire Service Levy	-		-	-		-	
Fire Protection - Other	-		-	-		-	
Animal Control	-		-	-		-	
Beach Control	-		-	-		-	
Enforcement of Local Govt Regulations	1,303		3,509	-		2,206	
Emergency Services	-		-	-		-	
Other	56		-	-		(56)	
		1,359			3,509		2,150
HEALTH							
Administration and Inspection	1,406		1,309	-		(97)	
Immunisations	-		-	-		-	
Food Control	-		-	-		-	
Insect/Vermin Control	-		-	-		-	
Noxious Plants	-		-	-		-	
Health Centres	-		-	-		-	
Other	661		165	(6)		(502)	
		2,067			1,468		(599)
COMMUNITY SERVICES AND EDUCATION							
Administration	1,328		85	261		(982)	
Family Day Care	-		-	-		-	
Childcare	3,478		2,993	37		(448)	
Youth Services	183		41	-		(142)	
Other Families and Children	-		-	-		-	
Aged and Disabled	1,341		861	-		(480)	
Migrant Services	-		-	-		-	
Aboriginal Services	-		-	-		-	
Other Community Services	1,831		109	-		(1,722)	
Education	-		-	-		-	
		8,161			4,387		(3,774)
HOUSING AND COMMUNITY AMENITIES							
Housing	-		-	-		-	
Town Planning	1,699		143	-		(1,556)	
Domestic Waste Management	7,909		279	-		(7,630)	
Other Waste Management	304		-	-		(304)	
Street Cleaning	3,696		(121)	-		(3,817)	
Other Sanitation and Garbage	-		-	-		-	
Urban Stormwater Drainage	435		28	-		(407)	
Environmental Protection	79		-	13		(66)	
Public Cemeteries	-		-	-		-	
Public Conveniences	-		-	-		-	
Other Community Amenities	-		-	-		-	
		14,122			342		(13,780)

PARRAMATTA CITY COUNCIL

**SPECIAL SCHEDULE No. 1
NET COST OF SERVICES
for the year ended 30th June 2006**

<u>Function or Activity</u>	\$'000					
	Expenses From Ordinary Activities		Revenues From Ordinary Activities		Net Cost Of Services	
	Expenses	Group Totals	Non-Capital Revenues	Capital Revenues	Group Totals	Net Cost
RECREATION AND CULTURE						
Public Libraries	4,447		478	149		(3,820)
Museums	-		-	-		-
Art Galleries	-		-	-		-
Community Centres	115		71	-		(44)
Public Halls	423		199	-		(224)
Other Cultural Services	4,827		2,665	-		(2,162)
Swimming Pools	1,593		732	-		(861)
Sporting Grounds	893		679	-		(214)
Parks and Gardens, Lakes	5,659		167	2,539		(2,953)
Other Sport and Recreation	373		212	-		(161)
		18,330			7,891	
						(10,439)
MINING, MANUFACTURING AND CONSTR.						
Building Control	5,145		2,551	-		(2,594)
Abattoirs	-		-	-		-
Quarries and Pits	-		-	-		-
Other	-		-	-		-
		5,145			2,551	
						(2,594)
TRANSPORT AND COMMUNICATION						
Urban Roads: Local	3,599		936	962		(1,701)
Urban Roads: Regional	-		-	-		-
Sealed Rural Roads: Local	-		-	-		-
Sealed Rural Roads: Regional	-		-	-		-
Unsealed Rural Roads: Local	-		-	-		-
Unsealed Rural Roads: Regional	-		-	-		-
Bridges - Urban Roads: Local	-		-	-		-
Bridges - Urban Roads: Regional	-		-	-		-
Bridges - Sealed Rural Roads: Local	-		-	-		-
Bridges - Sealed Rural Roads: Regional	-		-	-		-
Bridges - Unsealed Rural Roads: Local	-		-	-		-
Bridges - Unsealed Rural Roads: Regional	-		-	-		-
Footpaths	1,650		-	-		(1,650)
Aerodromes	-		-	-		-
Parking Areas	999		4,900	-		3,901
Bus Shelters and Services	2		-	-		(2)
Water Transport	-		-	-		-
RTA Works - State Roads	-		-	-		-
Streetlighting	1,885		468	-		(1,417)
Other	-		-	-		-
		8,135			7,266	
						(869)

PARRAMATTA CITY COUNCIL

SPECIAL SCHEDULE No. 1

NET COST OF SERVICES

for the year ended 30th June 2006

<u>Function or Activity</u>	\$'000						
	Expenses From Ordinary Activities		Revenues From Ordinary Activities			Net Cost Of Services	
	Expenses	Group Totals	Non-Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
ECONOMIC AFFAIRS							
Camping Areas	-		-	-		-	
Caravan Parks	-		-	-		-	
Tourism and Area Promotion	-		-	-		-	
Industrial Development Promotion	-		-	-		-	
Saleyards and Markets	-		-	-		-	
Real Estate Development	-		-	-		-	
Commercial Nurseries	-		-	-		-	
Other Business Undertakings	243		2,026	-		1,783	
		243			2,026		1,783
Totals - Functions		122,454			37,260		(85,194)
General Purpose Revenues			89,622		89,622		89,622
Share of Gain(Deficit) from Associates and Joint Ventures using Equity Method			359		359		359
Correction of Fundamental Error	-		-		-		-
Surplus(Deficit) from Ordinary Activities before Extraordinary Items							4,787
Extraordinary Items							
		122,454			127,241		4,787
Surplus from all Activities							4,787

PARRAMATTA CITY COUNCIL

SPECIAL SCHEDULE No. 2(a) STATEMENT OF LONG TERM DEBT (ALL PURPOSES) for the year ended 30th June 2006

Classification of Debt	Principal Outstanding at Beginning of Year			New Loans Raised During the Year	Debt Redemption During the Year		Transfers to Sinking Funds	Interest Applicable to Year	Principal Outstanding at End of Year		
	Current	Non-Current	Total		From Revenue	Sinking Funds			Current	Non-Current	Total
LOANS (by source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	3,066	94,645	97,711	2,360	3,066	-	-	5,475	3,318	93,687	97,005
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	3,066	94,645	97,711	2,360	3,066	-	-	5,475	3,318	93,687	97,005
OTHER LONG TERM DEBT											
Ratepayers' Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payment	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
Total Other Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
TOTAL LONG TERM DEBT	3,066	94,645	97,711	2,360	3,066	-	-	5,475	3,318	93,687	97,005

PARRAMATTA CITY COUNCIL

**SPECIAL SCHEDULE No. 7
CONDITION OF PUBLIC WORKS
as at 2005/06**

Asset Class	Asset Category	Depr'n. Rate	Depr'n. Expense	Cost	Valuation	Accum. Depr'n.	WDV	Asset Condition	Estimated Cost to bring to a Satisfactory Standard	Estimated Annual Maintenance Expense	Program Maintenance Works for Current Year	
		Per Note 1	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
			Per Note 4	Per Note 9					Per Section 428(2d)			
Public Buildings	Buildings	1,2%	3,813	170,003	-	68,891	101,112	5	7,760	1,875	2,118	
	Other Structures	1%	2,084	41,947	-	23,078	18,869	4	598	570	2,264	
Public Roads	Sealed Roads	1%	9,885	868,871	-	369,127	499,744	4	14,314	19,390	9,654	
	Bridges	1%	533	24,838	-	7,164	17,674	5	1,014	990	34	
Drainage Works	Underground Drainage Pit	1%	863	89,834	-	40,629	49,205	5	5,025	3,015	3,772	
Total - Classes	Total - All Assets		17,178	1,195,493	-	508,889	686,604		28,711	25,840	17,842	

*Denotes there are certain items where the required information is not available or estimates not able to be reasonably quantified

PARRAMATTA CITY COUNCIL

**SPECIAL SCHEDULE No. 8
FINANCIAL PROJECTIONS**

	2006*	2007	2008	2009	2010
	\$m	\$m	\$m	\$m	\$m
Recurrent budget					
Income from continuing operations	127	139	143	147	152
Expenses from continuing operations	122	132	136	141	145
Operating result from continuing operations	5	7	7	6	6
Capital budget					
New capital works**	28	28	28	32	33
Funded by:					
-Loans	4	3	4	8	9
-Asset sales	1	4	1	1	1
-Reserves	16	9	13	13	14
-Grants/Contributions	4	3	2	2	2
-Recurrent revenue	3	9	8	7	6
-Other					
	28	28	28	32	33

* From Income Statement

** New capital works are major non-recurrent projects, eg. new leisure centre, new library, new swimming pool, etc.