



CITY OF PARRAMATTA COUNCIL
**General Purpose
Financial Statements**
for the year ended 30 June 2018



**CITY OF
PARRAMATTA**

City Of Parramatta Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

City Of Parramatta Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

**126 Church Street
Parramatta NSW 2150**

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website:

<http://www.parracity.nsw.gov.au>.

City Of Parramatta Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

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

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

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

City Of Parramatta Council

General Purpose Financial Statements for the year ended 30 June 2018

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

The attached general purpose financial statements have been prepared in accordance with:

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

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

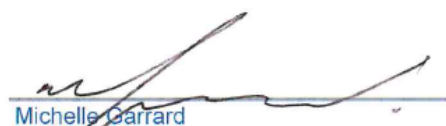
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 29 October 2018.



Andrew Wilson
Lord Mayor
29 October 2018



Michelle Garrard
Deputy Lord Mayor
29 October 2018



Sue Coleman
Acting Chief Executive Officer
29 October 2018



Alistair Cochrane
Responsible Accounting Officer
29 October 2018

City Of Parramatta Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
164,945	Rates and annual charges	3a	171,054	168,398
38,427	User charges and fees	3b	35,410	43,635
6,711	Interest and investment revenue	3c	8,992	9,387
16,075	Other revenues	3d	12,974	11,993
15,109	Grants and contributions provided for operating purposes	3e,f	21,562	42,756
31,010	Grants and contributions provided for capital purposes	3e,f	46,117	65,060
Other income:				
–	Net gains from the disposal of assets	5	960	4,353
–	Net share of interests in joint ventures and associates using the equity method	16	866	780
<u>272,277</u>	Total income from continuing operations		<u>297,935</u>	<u>346,362</u>
Expenses from continuing operations				
104,961	Employee benefits and on-costs	4a	99,826	106,161
2,818	Borrowing costs	4b	2,814	3,923
78,419	Materials and contracts	4c	80,254	81,454
39,422	Depreciation and amortisation	4d	39,492	46,983
27,511	Other expenses	4e	39,806	35,176
–	Impairment of IPP&E	4d	111	–
<u>253,131</u>	Total expenses from continuing operations		<u>262,303</u>	<u>273,697</u>
<u>19,146</u>	Net operating result for the year		<u>35,632</u>	<u>72,665</u>
Loss on local government amalgamation				
–	Net assets transferred from former councils	24	–	2,785,193
<u>19,146</u>	Net result for the year		<u>35,632</u>	<u>2,857,858</u>
<u>(11,864)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>(10,485)</u>	<u>7,605</u>
Alternate results adjustments				
–	Impairment of Section 7.11 funds receivable from Hornsby Council		10,367	–
–	Stronger Communities Fund expenditures		287	–
–	New Council Implementation Fund expenditures		1,264	–
–	Adjusted net operating result for the year before grants and contributions provided for capital purposes		1,433	7,605

City Of Parramatta Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net operating result for the year (as per Income Statement)		35,632	2,857,858
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	71,735	–
Adjustment to community land revaluation reserve for asbestos contamination		(1,651)	–
Total items which will not be reclassified subsequently to the operating result		70,084	–
Total other comprehensive income for the year		70,084	–
Total comprehensive income for the year		105,716	2,857,858

City Of Parramatta Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	Restated 2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	17,446	32,430
Investments	6b	133,355	109,301
Receivables	7	26,031	66,759
Inventories	8	82	84
Other	8	241	383
Non-current assets classified as 'held for sale'	9	122,230	209,650
Total current assets		299,385	418,607
Non-current assets			
Investments	6b	185,701	83,229
Receivables	7	23,652	17,641
Infrastructure, property, plant and equipment	10	2,575,254	2,478,640
Investments accounted for using the equity method	16	6,148	5,748
Intangible assets	11	2,268	1,918
Total non-current assets		2,793,023	2,587,176
TOTAL ASSETS		3,092,408	3,005,783
LIABILITIES			
Current liabilities			
Payables	12	32,144	44,721
Income received in advance	12	13,246	8,052
Borrowings	12	9,035	10,806
Provisions	13	30,644	31,706
Total current liabilities		85,069	95,285
Non-current liabilities			
Payables	12	738	878
Borrowings	12	39,416	48,451
Provisions	13	3,611	3,311
Total non-current liabilities		43,765	52,640
TOTAL LIABILITIES		128,834	147,925
Net assets		2,963,574	2,857,858
EQUITY			
Accumulated surplus	14	2,893,490	2,857,858
Revaluation reserves	14	70,084	-
Total equity		2,963,574	2,857,858

City Of Parramatta Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	13/5/16	IPP&E	Restated Total equity
		Accumulated surplus	revaluation reserve		to 30/6/17	revaluation reserve	
Opening balance		2,857,858	–	2,857,858	–	–	–
Net operating result for the year		35,632	–	35,632	2,878,077	–	2,878,077
Correction of prior period errors	14b	–	–	–	(20,219)	–	(20,219)
Restated net operating result for the year		35,632	–	35,632	2,857,858	–	2,857,858
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	71,735	71,735	–	–	–
– Adjustment to community land revaluation reserve for asbestos contamination	13	–	(1,651)	(1,651)	–	–	–
Other comprehensive income		–	70,084	70,084	–	–	–
Total comprehensive income		35,632	70,084	105,716	2,857,858	–	2,857,858
Equity – balance at end of the reporting period		2,893,490	70,084	2,963,574	2,857,858	–	2,857,858

City Of Parramatta Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
164,945	Rates and annual charges		197,682	158,491
38,427	User charges and fees		37,969	41,524
6,711	Investment and interest revenue received		7,500	9,362
46,119	Grants and contributions		80,265	103,372
–	Bonds, deposits and retention amounts received		7,949	3,073
16,075	Other		22,878	33,720
Payments:				
(108,666)	Employee benefits and on-costs		(101,122)	(102,031)
(56,493)	Materials and contracts		(90,028)	(100,520)
(2,818)	Borrowing costs		(2,863)	(4,455)
–	Bonds, deposits and retention amounts refunded		(5,432)	(2,645)
(45,732)	Other		(54,930)	(26,103)
58,568	Net cash provided (or used in) operating activities	15b	99,868	113,788
Cash flows from investing activities				
Receipts:				
3,355	Sale of investment securities		290,485	195,975
50,950	Sale of infrastructure, property, plant and equipment		88,109	10,698
Payments:				
–	Purchase of investment securities		(416,146)	(203,729)
(109,963)	Purchase of infrastructure, property, plant and equipment		(66,960)	(88,026)
–	Contributions paid to joint ventures and associates		466	–
(55,658)	Net cash provided (or used in) investing activities		(104,046)	(85,082)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(10,806)	Repayment of borrowings and advances		(10,806)	(13,787)
(10,806)	Net cash flow provided (used in) financing activities		(10,806)	(13,787)
(7,896)	Net increase/(decrease) in cash and cash equivalents		(14,984)	14,919
32,430	Plus: cash and cash equivalents – beginning of year	15a	32,430	–
–	Plus: cash transferred on amalgamation of councils		–	17,511
24,534	Cash and cash equivalents – end of the year	15a	17,446	32,430
Additional Information:				
	plus: Investments on hand – end of year	6b	319,056	192,530
Total cash, cash equivalents and investments			336,502	224,960

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

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City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29/10/2018.

Council has the power to amend and reissue these financial statements.

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

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

(a) New and amended standards adopted by Council

AASB 124 - *Related Party Disclosures* was adopted during the year. The impact of this standard had no impact on reporting financial position or performance, however additional disclosures have been included.

The following new standards were adopted during the year. There was no material impact on reported financial position, performance or cash flows of the entity although some additional disclosures have arisen:

- AASB 2016 – 1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses*
- AASB 2016 – 2 *Disclosure Initiative - Amendment to AASB 107*
- AASB 2016 – 4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-For-Profit Entities*
- AASB 2017 – 2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014 – 2016 cycle*

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iii) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in these reports.

The following Trust monies and other assets are held by Council but are not considered to be under the control of Council and therefore are excluded from these financial statements:

Parramatta Trust Fund

A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Goods and Services Tax (GST)

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

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

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. It revises the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Council already values all other investments at fair value and these changes have no impact.

The standard amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements have no impact.

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

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

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

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

The model for determining impairment losses in relation to receivables will be amended. The impact of the new model has not yet been quantified, although some immaterial impairment may be recognised earlier.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Effective for annual reporting periods beginning on or after 1 July 2019

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

AASB15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple-element arrangements.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 *Contributions*. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*).

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

The changes in revenue recognition requirements in AASB15 will cause changes to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

New standards will have no impact on rates revenue recognition as prepaid rates received prior to the beginning of a rating period are already recognised as a financial liability until the commencement of the rating

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

period. These standards will affect the timing of the recognition of special purpose grants and contributions income.

This standard will be adopted on 1 July 2019.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

This will result into:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet. It was estimated that based on current lease agreements \$12million right of use asset and \$12million lease liability will be recognised by the Council on 1 July 2019.

- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities. During the first year of the application, it was estimated that lease liability will decrease by \$4.3million while right to use asset will decrease by \$4.6million. However, the difference will gradually decrease towards the end of the leases.

- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Liveable	24,801	28,802	75,690	82,336	(50,889)	(53,534)	4,144	6,020	41,539	43,245
Sustainable	76,729	78,341	60,808	64,030	15,921	14,311	10,514	7,081	2,307,868	2,228,642
Productive	3,890	8,527	27,258	27,388	(23,368)	(18,861)	100	296	329,621	397,367
Leading	192,515	230,692	98,547	99,943	93,968	130,749	10,177	45,645	413,380	336,529
Total functions and activities	297,935	346,362	262,303	273,697	35,632	72,665	24,935	59,042	3,092,408	3,005,783

Note 2(b). Council functions/activities – component descriptions

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

Liveable

Supporting all of our community to live well and succeed - Champions of our community and culture.

Sustainable

Stewards of our built and natural environment - Fostering vibrant neighbourhoods, places and developments that are well-balanced, connected and sustainable.

Productive

Drivers of the economy - Creating local jobs by positioning Parramatta as a global centre for business and investment.

Leading

Accountable - An agile, listening and transparent Council working in partnership and providing great services now and into the future.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	75,904	72,736
Business	53,377	52,616
Total ordinary rates	129,281	125,352
Special rates		
Infrastructure	66	64
Harris Park neighbourhood and shops infrastructure levy	103	102
Catchment remediation	496	506
CBD infrastructure	2,024	1,948
Economic development	745	724
Open space	2,200	2,070
Suburban infrastructure	1,667	1,601
Total special rates	7,301	7,015
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	31,424	32,759
Waste management services (non-domestic)	1,366	1,638
Stormwater levy	1,682	1,634
Total annual charges	34,472	36,031
TOTAL RATES AND ANNUAL CHARGES	171,054	168,398

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	4,531	6,994
Section 149 certificates (EPA Act)	494	453
Section 603 certificates	311	293
Vehicle crossing inspection fees	195	211
Annual fire safety statement fee	276	227
Application for outstanding notices	59	60
Construction certificate	156	126
Construction zone fee	654	1,273
Cooling towers licence	89	96
Development advertising fee	337	439
Food premises licence	656	584
Hoarding fees	293	552
Payment processing fee	8	52
Road occupancy fees	201	366
Road opening permits	1,667	1,783
Section 611 charges	159	292
Subdivision release fee	348	382
Tree preservation fees	125	148
Other	497	456
Total fees and charges – statutory/regulatory	11,056	14,787
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	2,817	3,101
Golf course	–	232
Pools	377	1,830
Halls	627	561
Parks and reserves	285	252
Library incl. photocopy	85	86
Parramatta riverside theatres	2,934	3,259
Parking meters	4,459	4,851
Multi-level parking stations	12,517	14,427
Resident parking scheme	31	30
Other	222	219
Total fees and charges – other	24,354	28,848
TOTAL USER CHARGES AND FEES	35,410	43,635

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	437	416
– Cash and investments	7,690	9,551
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)	865	(580)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>8,992</u>	<u>9,387</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	437	416
General Council cash and investments	4,709	6,975
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	3,022	1,320
Domestic waste management operations	565	426
Restricted rates	259	250
<u>Total interest and investment revenue recognised</u>	<u>8,992</u>	<u>9,387</u>

Accounting policy for interest and investment revenue

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(d) Other revenues		
Rental income – other council properties	1,855	2,623
Fines – parking	7,356	5,626
Fines – other	951	339
Legal fees recovery – rates and charges (extra charges)	179	218
Legal fees recovery – other	109	41
Commissions and agency fees	17	15
Insurance claim recoveries	166	54
Sales – general	391	368
Outdoor dining rentals	274	371
Rebates	265	177
Technical services – external	61	430
Building insurance and commission	5	7
Riverside theatre bar and catering sales	349	363
Other	996	1,361
<u>TOTAL OTHER REVENUE</u>	<u>12,974</u>	<u>11,993</u>

Accounting policy for other revenue

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

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	7,430	11,273	–	–
Financial assistance – local roads component	1,937	2,854	–	–
Other				
Pensioners' rates subsidies – general component	785	839	–	–
Total general purpose	10,152	14,966	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	262	313	–	–
Child care	2,190	2,303	–	–
Community care	4	–	–	–
Library	575	558	–	–
Street lighting	807	961	–	–
Transport (roads to recovery)	1,286	1,820	–	–
Transport (other roads and bridges funding)	72	602	1,672	7,592
Community services	91	114	–	–
Dept infrastructure planning and natural resources	–	–	243	1,364
Federal stimulus	–	–	–	250
Greenspace	–	–	5,047	103
Home support	944	1,237	–	–
Ministry of the arts	333	625	–	–
Stronger communities fund	–	1,000	–	14,000
New council implementation fund	–	10,000	–	–
Waste services performance improvement payment	237	458	–	–
Flood management	435	–	–	–
Other	382	302	203	473
Total specific purpose	7,618	20,293	7,165	23,782
Total grants	17,770	35,259	7,165	23,782
Grant revenue is attributable to:				
– Commonwealth funding	3,354	3,940	1,371	3,454
– State funding	14,416	31,319	5,794	20,328
	17,770	35,259	7,165	23,782

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.4 – contributions using planning agreements		–	–	1,660	800
S 7.11 – contributions towards amenities/services		–	–	29,744	35,488
Total developer contributions – cash		–	–	31,404	36,288
Total developer contributions	23	–	–	31,404	36,288
Other contributions:					
Cash contributions					
Community services		–	–	95	–
Kerb and gutter		–	1	–	–
Contributions to services from other councils		–	3,056	–	–
National disability contribution		134	20	–	–
Environmental		–	35	–	–
Leaseback fees		935	881	–	–
Long service leave contributions		215	494	–	–
Other sponsorship received		127	173	–	–
Paid parental leave		133	284	–	–
LIRS subsidy		586	655	–	–
Road restoration contributions		826	836	–	–
Salary sacrifice motor vehicle contributions		213	218	–	–
ESPL operating cost contribution		–	147	–	–
West Epping park		–	–	6,606	4,912
Affordable Housing contribution		–	–	386	–
Parramatta Catchment Group contributions		393	–	–	–
Other		230	697	461	78
Total other contributions – cash		3,792	7,497	7,548	4,990
Total contributions		3,792	7,497	38,952	41,278
TOTAL GRANTS AND CONTRIBUTIONS		21,562	42,756	46,117	65,060

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	6,618	477
Add: operating grants recognised in the current period but not yet spent period	615	6,469
Less: operating grants recognised in a previous reporting period now spent	(2,530)	(328)
Unexpended and held as restricted assets (operating grants)	<u>4,703</u>	<u>6,618</u>
Capital grants		
Unexpended at the close of the previous reporting period	16,605	1,470
Add: capital grants recognised in the current period but not yet spent	–	16,374
Add: capital grants received for the provision of goods and services in a future period	5,000	–
Less: capital grants recognised in a previous reporting period now spent	(2,756)	(1,239)
Unexpended and held as restricted assets (capital grants)	<u>18,849</u>	<u>16,605</u>
Contributions		
Unexpended at the close of the previous reporting period	88,647	42,663
Add: contributions received for the provision of goods and services in a future period	34,426	58,709
Less: contributions recognised in a previous reporting period now spent	(4,788)	(12,725)
Unexpended and held as restricted assets (contributions)	<u>118,285</u>	<u>88,647</u>

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	82,234	84,183
Travel expenses	57	69
Employee leave entitlements (ELE)	8,678	13,510
Superannuation	8,896	9,210
Workers' compensation insurance	756	295
Fringe benefit tax (FBT)	284	326
Training costs (other than salaries and wages)	1,210	1,013
Protective clothing	93	148
Recruitment costs	639	544
Other	361	282
Total employee costs	103,208	109,580
Less: capitalised costs	(3,382)	(3,419)
TOTAL EMPLOYEE COSTS EXPENSED	99,826	106,161

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 13 for more information.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	2,814	3,918
Total interest bearing liability costs	2,814	3,918
Total interest bearing liability costs expensed	2,814	3,918
(ii) Other borrowing costs		
Other borrowing costs	–	5
Total other borrowing costs	–	5
TOTAL BORROWING COSTS EXPENSED	2,814	3,923

Accounting policy for borrowing costs

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

(c) Materials and contracts

Raw materials and consumables	6,290	7,217
Contractor and consultancy costs:		
– ICT software maintenance	414	268
– air conditioning external services	350	267
– events program	909	681
– economic development	159	217
– building improvements	410	524
– bushland management	2,342	1,990
– open space and natural resources management	538	354
– cleaning external services	3,068	2,546
– consultancies	7,103	6,806
– parks infrastructure maintenance	509	754
– footpath maintenance	998	856
– electrical external services	454	387
– external plant and equipment hire	837	525
– fire protection equipment external services	242	311
– garbage external services	6,347	4,032
– meals on wheels services	203	223

(continued on the next page...)

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts (continued)		
Contractor and consultancy costs (continued)		
– other minor contracts	2,670	2,772
– motor vehicle accident repairs	221	253
– multi-level car parks	1,651	1,921
– on street paid parking	391	510
– pavement maintenance	130	228
– plant repairs	411	604
– plumbing external services	625	382
– pools repairs	1,328	–
– professional services	1,701	3,387
– public tree maintenance	331	545
– recycling external services	3,165	2,394
– restorations	559	527
– road waste removal external services	92	317
– security external services	1,623	1,490
– tipping fees	15,306	19,569
– other contractor and consultancy costs	2,175	2,530
– library network	378	521
– local parks maintenance	337	255
– sporting grounds maintenance	418	338
– sustainability and waste	431	670
– catchment maintenance	220	547
– agency employees	4,409	5,663
Auditors remuneration ⁽²⁾	245	168
Legal expenses:		
– Legal expenses: other	4,540	2,228
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	5,724	6,104
Total materials and contracts	80,254	81,881
Less: capitalised costs	–	(427)
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>80,254</u>	<u>81,454</u>

Materials and Contracts

Expenses from continuing operations are recorded on an accruals basis as the council receives the goods or services.

Operating leases

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

1. Operating lease payments are attributable to:

Buildings	5,301	5,154
Computers	318	890
Other	105	60
	<u>5,724</u>	<u>6,104</u>

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
Audit and other assurance services		
Audit and review of current year's financial statements	190	168
Overruns for auditing and review of 2016/2017 financial statements recognised in current year	55	–
Remuneration for audit and other assurance services	245	168
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment	2,370	2,662
Office equipment	610	505
Furniture and fittings	1,672	2,867
Land improvements (depreciable)	637	8
Infrastructure:		
– Buildings – non-specialised	4,397	5,179
– Buildings – specialised	859	–
– Other structures	689	1,258
– Roads	17,660	19,767
– Bridges	1,119	1,247
– Footpaths	2,389	2,640
– Stormwater drainage	3,175	3,569
– Swimming pools	37	42
– Other open space/recreational assets	1,791	5,386
Other assets:		
– Heritage collections (reverse of prior periods depreciation)	(55)	11
– Library books	839	750
– Other	82	7
Intangible assets	11 1,221	1,085
Total depreciation and amortisation costs	39,492	46,983

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment (continued)		
Impairment / revaluation decrement of IPP&E		
– Buildings – non-specialised	111	–
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>	<u>39,603</u>	<u>46,983</u>

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	1,119	1,759
Bad and doubtful debts	10,167	23
Bank charges	664	649
– Department of planning levy	362	354
– Emergency services levy (includes FRNSW, SES, and RFS levies)	2,571	2,132
Councillor expenses – mayoral fee	82	49
Councillor expenses – councillors' fees	382	13
Councillors' expenses (incl. mayor) – other (excluding fees above)	220	675
Donations, contributions and assistance to other organisations (Section 356)	957	3,421
Electricity and heating	1,420	1,961
Insurance	1,924	2,067
Postage	718	612
Street lighting	4,877	3,550
Subscriptions and publications	753	798
Telephone and communications	720	819
Valuation fees	413	492
Contribution to other councils	278	1,915
Artists in mall and other artists	1,807	1,694
Car registrations	301	368
Catering	504	526
Computer expenses	2,799	4,886
Microfilming	355	215
Parking – seins costs	1,029	834
Parking space levy	1,788	1,957
Promotions and publicity	1,714	1,816
Rent collection costs	209	369
Water	768	503
Other	905	1,146
Total other expenses	39,806	35,603
Less: capitalised costs	–	(427)
<u>TOTAL OTHER EXPENSES</u>	<u>39,806</u>	<u>35,176</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,585	1,632
Less: carrying amount of plant and equipment assets sold/written off		(1,035)	(1,122)
Net gain/(loss) on disposal		550	510
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(59)	–
Net gain/(loss) on disposal		(59)	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		290,485	195,976
Less: carrying amount of financial assets sold/redeemed/matured		(290,485)	(195,976)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		87,888	24,721
Less: carrying amount of ‘held for sale’ assets sold/written off		(87,419)	(20,878)
Net gain/(loss) on disposal		469	3,843
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>960</u>	<u>4,353</u>

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	7,942	8,595
Cash-equivalent assets		
– Deposits at call	9,504	6,016
– Short-term deposits	–	17,819
Total cash and cash equivalents	<u>17,446</u>	<u>32,430</u>

Accounting policy for cash and cash equivalents

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	24,152	71,292	41,131	51,577
b. 'Held to maturity'	109,203	114,409	68,170	31,652
Total investments	133,355	185,701	109,301	83,229
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	150,801	185,701	141,731	83,229
Financial assets at fair value through the profit and loss				
Managed funds	24,152	–	13,031	–
NCD's, FRN's (with maturities > 3 months)	–	71,292	28,100	51,577
Total	24,152	71,292	41,131	51,577
Held to maturity investments				
Long term deposits	109,203	114,409	68,170	31,652
Total	109,203	114,409	68,170	31,652

Accounting policy for investments

Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

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

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

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	150,801	185,701	141,731	83,229
attributable to:				
External restrictions (refer below)	–	165,893	32,080	83,229
Internal restrictions (refer below)	84,539	19,808	54,373	–
Unrestricted	66,262	–	55,278	–
	150,801	185,701	141,731	83,229

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	113,524	67,801
Specific purpose unexpended grants	23,552	23,223
Domestic waste management	18,303	15,514
Harris park special rate	404	291
Open space special rate	502	1,311
Stormwater levy	1,639	1,410
Economic development special rate	938	741
Suburban infrastructure special rate	28	75
CBD infrastructure special rate	5,870	4,374
Infrastructure special rate (former Holroyd)	129	62
Catchment remediation special rate	1,004	507
External restrictions – other	165,893	115,309
Total external restrictions	165,893	115,309

Internal restrictions

Employees leave entitlement	5,499	5,499
Property and significant assets reserve	93,891	36,204
Council election	200	800
Parking meters	1,022	1,358
Urgent ward works	3,039	3,291
Asset renewal reserve	696	7,221
Total internal restrictions	104,347	54,373

TOTAL RESTRICTIONS

270,240 **169,682**

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	7,129	937	4,989	787
User charges and fees	1,682	–	1,141	–
Accrued revenues				
– Interest on investments	2,421	–	1,794	–
Amounts due from other councils	20,661	–	47,963	–
Deferred debtors	–	21,655	–	15,655
Government grants and subsidies	1,878	–	7,199	–
Net GST receivable	901	–	1,984	–
Hoarding fees	6	–	185	–
Environmental upgrade agreements	140	738	140	878
Employee receivables	6	322	5	321
GIO workers compensation	62	–	79	–
Licencing receivables	875	–	772	–
Property leases	510	–	554	–
Restorations / reinstatements	13	–	83	–
Riverside theatres Parramatta	18	–	24	–
Facility hire	99	–	198	–
Other debtors	955	–	807	–
Total	37,356	23,652	67,917	17,641
Less: provision for impairment				
Rates and annual charges	(60)	–	(59)	–
Other debtors	(11,265)	–	(1,099)	–
Total provision for impairment – receivables	(11,325)	–	(1,158)	–
TOTAL NET RECEIVABLES	26,031	23,652	66,759	17,641
Externally restricted receivables				
Domestic waste management	1,682	–	1,396	–
Stormwater management	138	–	134	–
Other				
Open space special rate	70	–	61	–
Economic development special rate	60	–	36	–
Suburban infrastructure special rate	–	–	49	–
CBD Infrastructure special rate	216	–	89	–
Harris park special rate	12	–	11	–
Infrastructure Special Rate (Former Holroyd)	3	–	2	–
Catchment Remediation Special Rate	22	–	2	–
Grants	–	–	2	–
Section 7.11 due from other Councils	4,761	–	20,846	–
Total external restrictions	6,964	–	22,628	–
Unrestricted receivables	19,067	23,652	44,131	17,641
TOTAL NET RECEIVABLES	26,031	23,652	66,759	17,641

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

\$ '000

	2018	2017
Movement in provision for impairment of receivables		
Balance at the beginning of the year	1,158	1,138
+ new provisions recognised during the year	10,500	663
– amounts already provided for and written off this year	–	(167)
– amounts provided for but recovered during the year	(333)	(476)
Balance at the end of the year	11,325	1,158

Accounting policy for receivables

Recognition and measurement

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	60	–	67	–
Trading stock	22	–	17	–
<u>TOTAL INVENTORIES AT COST</u>	<u>82</u>	<u>–</u>	<u>84</u>	<u>–</u>
(b) Other assets				
Prepayments	196	–	368	–
Other	45	–	15	–
<u>TOTAL OTHER ASSETS</u>	<u>241</u>	<u>–</u>	<u>383</u>	<u>–</u>

Accounting policy

Inventories at cost

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	122,230	–	209,650	–
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>122,230</u>	<u>–</u>	<u>209,650</u>	<u>–</u>

(ii) Details of assets and disposal groups

Parramatta Square sites 6 & 8 remained classified as Held for Sale since last financial year.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance (former Councils)	209,650	209,650
Less: carrying value of assets/operations sold	(87,420)	–
Balance still unsold after 12 months:	122,230	209,650
Closing balance of 'held for sale' non-current assets and operations	<u>122,230</u>	<u>209,650</u>

Accounting policy for non-current assets classified as held for sale

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

City Of Parramatta Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017					Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Adjustments to the gross carrying amount*	Adjustments to the accumulated depreciation*	Adjusted net carrying amount	Additions renewals**	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP Capitalised	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	30,715	–	(776)	–	29,939	65,930	–	–	–	–	(69,527)	–	26,342	–	26,342
Plant and equipment	20,117	11,072	–	–	9,045	–	4,004	(1,035)	(2,370)	–	–	–	18,565	8,921	9,644
Office equipment	10,528	8,883	–	–	1,645	–	3,175	–	(610)	–	–	–	7,109	2,899	4,210
Furniture and fittings	17,938	8,763	(701)	–	8,474	–	2,207	–	(1,672)	–	–	–	16,561	7,552	9,009
Land:															
– Operational land	455,275	–	(12,129)	–	443,146	–	–	–	–	–	–	–	443,146	–	443,146
– Community land	259,999	–	70,038	–	330,037	21	–	–	–	–	–	55,521	385,579	–	385,579
– Land under roads (post 30/6/08)	1,024	–	823	–	1,847	–	–	–	–	–	–	304	2,151	–	2,151
Land improvements – depreciable	982	96	11,970	2,904	9,952	1,438	–	–	(637)	–	–	–	14,394	3,641	10,753
Infrastructure:															
– Buildings – non-specialised	188,686	24,566	(1,071)	(176)	163,225	4,958	1,716	(35)	(4,397)	(111)	–	–	194,132	28,776	165,356
– Buildings – specialised	–	–	33,996	5,445	28,551	177	–	–	(859)	–	–	–	34,173	6,304	27,869
– Other structures	32,774	13,379	(13,714)	(5,548)	11,229	1,354	–	–	(689)	–	–	–	20,414	8,520	11,894
– Roads	1,159,640	255,648	(8,340)	(3,324)	898,976	13,740	–	–	(17,660)	–	–	–	1,165,040	269,984	895,056
– Bridges	98,117	28,788	–	–	69,329	250	2,422	(24)	(1,119)	–	–	–	100,747	29,889	70,858
– Footpaths	158,528	35,617	(1,614)	(171)	121,468	5,132	2,000	–	(2,389)	–	–	333	171,266	44,722	126,544
– Bulk earthworks (non-depreciable)	102,677	–	(339)	–	102,338	–	–	–	–	–	–	–	102,338	–	102,338
– Stormwater drainage	355,524	136,777	(115)	–	218,632	5,832	3,500	–	(3,175)	–	–	–	364,741	139,952	224,789
– Swimming pools	1,336	352	–	–	984	42	–	–	(37)	–	–	–	1,378	389	989
– Other open space/recreational assets	146,358	30,598	(109,842)	(15,419)	21,337	4,348	9,700	–	(1,791)	–	–	15,577	72,336	23,165	49,171
Other assets:															
– Heritage collections	2,347	55	–	–	2,292	–	449	–	55	–	–	–	2,796	–	2,796
– Library books	14,612	12,111	–	–	2,501	–	966	–	(839)	–	–	–	5,064	2,436	2,628
– Other	8,640	424	(4,895)	(371)	3,693	–	521	–	(82)	–	–	–	4,242	110	4,132
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,065,817	567,129	(36,709)	(16,660)	2,478,640	103,222	30,660	(1,094)	(38,271)	(111)	(69,527)	71,735	3,152,514	577,260	2,575,254

* Refer to Note 14b for details of prior year adjustments.

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value according to AASB 13.

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

Land, bulk earthworks and heritage assets are 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:

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 10	Structure	100
Office furniture	10	Roof	75
Computer equipment	5	Fitouts and fittings, services	30
Vehicles	5 to 10	Stormwater assets	
Other plant and equipment	5 to 10	Pits and pipes	100 to 120
Roads		Other infrastructure assets	
Road surface	12 to 40	Bridge surface and deck	20 to 100
Road pavement base	80 to 100	Bridge structure	40 to 200
Road pavement subbase	150	Swimming pools	20 to 50
Kerb and gutter	100	Open space assets	5 to 80
Other Assets		Bus shelters	30
Library books	5	Other structures	5 to 100
Trees	50 to 100	Footpaths	
Other Assets	5 to 10	Footpaths	20 to 80

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

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

Crown reserves

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

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

Rural Fire Service assets

City of Parramatta Council does not operate a rural fire service and has entered into arrangement with Hills Shire Council for it to continue operating out the of station in the local government area transferred as part of the City of Parramatta and Cumberland Proclamation 2016.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value	8,168	7,878
Accumulated amortisation	(6,250)	(5,165)
Net book value – opening balance	1,918	2,713
Movements for the year		
– Purchases	1,168	290
– Development costs	403	–
– Amortisation charges	(1,221)	(1,085)
– Gross book value written off	(191)	–
– Accumulated amortisation charges written off	191	–
Closing values:		
Gross book value (30/6)	9,548	8,168
Accumulated amortisation (30/6)	(7,280)	(6,250)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	2,268	1,918

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	8,452	–	10,203	–
Accrued expenses:				
– Accrued Interest	243	–	292	–
– Salaries and wages	2,003	–	1,864	–
– Other expenditure accruals	10,187	–	23,214	–
Security bonds, deposits and retentions	11,119	–	9,008	–
Environment upgrade agreement	140	738	140	878
Total payables	32,144	738	44,721	878
Income received in advance				
Payments received in advance	13,246	–	8,052	–
Total income received in advance	13,246	–	8,052	–
Borrowings				
Loans – secured ¹	9,035	39,416	10,806	48,451
Total borrowings	9,035	39,416	10,806	48,451
TOTAL PAYABLES AND BORROWINGS	54,425	40,154	63,579	49,329

(a) Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

\$ '000	2018	2017
(b) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	8,620	6,758
	8,620	6,758

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

\$ '000

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	59,257	(10,806)	–	–	–	48,451
TOTAL	59,257	(10,806)	–	–	–	48,451

\$ '000

2018

2017

(d) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities ⁽¹⁾	2,000	1,000
Credit cards/purchase cards	250	250
Total financing arrangements	2,250	1,250
Undrawn facilities as at balance date:		
– Bank overdraft facilities	2,000	1,000
– Credit cards/purchase cards	250	250
Total undrawn financing arrangements	2,250	1,250

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

Accounting policy for payables and borrowings

Payables

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

Borrowings

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

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

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

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	8,734	–	8,452	–
Sick leave	932	–	1,193	–
Long service leave	15,099	1,218	14,728	918
Other employee provisions	1,862	–	3,233	–
Sub-total – aggregate employee benefits	26,627	1,218	27,606	918
Other provisions:				
Local government elections (sept 17)	–	–	800	–
Legal expense	800	–	700	–
Asbestos removal	3,217	–	2,600	–
Make good provisions	–	2,393	–	2,393
Sub-total – other provisions	4,017	2,393	4,100	2,393
<u>TOTAL PROVISIONS</u>	<u>30,644</u>	<u>3,611</u>	<u>31,706</u>	<u>3,311</u>

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	16,424	13,870
	<u>16,424</u>	<u>13,870</u>

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	Other provisions				Total
	Legal Expense	Asbestos Removal	Make Good Provisions	Local Govt. Elections	
At beginning of year	700	2,600	2,393	800	6,493
Changes to provision:					
Additional provisions	100	1,651	–	–	1,751
Amounts used (payments)	–	(1,034)	–	(800)	(1,834)
Unused amounts reversed	–	–	–	–	–
Total other provisions at end of year	800	3,217	2,393	–	6,410

2017	Other provisions				Total
	Legal Expense	Asbestos Removal	Make Good Provisions	Local Govt. Elections	
At beginning of year	200	–	–	–	200
Changes to provision:					
Additional provisions	500	2,600	2,393	800	6,293
Total other provisions at end of year	700	2,600	2,393	800	6,493

Nature and purpose of material non-employee benefit provisions

Make Good Provisions

Make good provision is recognised for the estimated cost to restore leased premises to its original condition at the conclusion of the lease.

Asbestos Removal

This provision is made for the estimated present value of the costs of asbestos removal from parks and reserves as at reporting date. Provision is calculated based on the number of sites that were already identified by the Council as contaminated.

The ultimate cost of asbestos removal is uncertain and cost estimates can vary in response to many factors including findings of ongoing investigations as more contaminated land is discovered, updated cost estimates, restoration techniques or experience at other locations.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Defined Benefit Plan: Multi-Employer Pooled Fund

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

(a) a description of the funding arrangements, including the method used to determine the entity's rate of contributions and any minimum funding requirements.

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

(b) a description of the extent to which the entity can be liable to the plan for other entities' obligations under the terms and conditions of the multi-employer plan.

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

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

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

(i) wind-up of the plan

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

(ii) the entity's withdrawal from the plan

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

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

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

Council confirms that the plan is a defined benefit plan.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

(ii) *the reason why sufficient information is not available to enable an entity to account for the plan as a defined benefits plan:*

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

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

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

The expected contributions by Council to the Fund for the next annual reporting period are \$1.098M.

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

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

The requirement for additional contributions (currently \$40M per annum) is assessed annually by the Actuary and is designed to not only restore the Funds to a satisfactory financial position but to allow the Trustee, on behalf of the employers, to commence de-risking the asset allocation and consequently reduce the market exposure risk to growth assets.

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

As previously notified, to enable this de-risking of the asset allocation to commence, additional contributions are estimated to remain in place until 30 June 2021. It is estimated that there are \$1,278,000.00 additional contributions remaining. However, the Trustee will be reviewing the financial position of the fund on an annual basis and will provide updates accordingly.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$1,234,388. The last valuation of the Fund was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

(vi) *an indication of the level of participation of the entity in the plan compared with other participating entities.*

Based on a Past Service Liabilities methodology, the share of the surplus attributed to the organisation is 1.07%.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

(b) Correction of errors relating to a previous reporting period

Nature of prior-period errors

Revaluation of Community Land and Land Under Roads

During the current year revaluation, land parcels were realigned to the Council's Geographic Information System, which detected a difference between the system and the fixed asset register.

The adjustment reflects an increase to the opening fair value of Community Land by \$68,813k and Land Under Roads by \$822k. As a result, Council has increased retained earnings at 30 June 2017.

IPPE Lost on Amalgamation

Multiple assets that were transferred to Cumberland Council on the date of amalgamation were identified in the current fixed assets register. These assets should have been written off on amalgamation date, 13 May 2016, when ownership was transferred to the other Council.

The adjustment results into a decrease of the opening carrying value of IPPE as disclosed in Note 10 by \$12,399k and a decrease in retained earnings at 30 June 2017.

Errors in Capital Work in Progress Account

During a current year review of a work in progress account, there were identified multiple capital projects that were brought forward from prior years and related to:

- assets that were disposed on amalgamation
- assets held for sale and therefore cannot have the capital value increased
- operational works that were incorrectly classified as capital.

All of these capital costs should have been written off to P&L in prior years and resulted in \$3,019k decrease in opening WIP balance.

\$2,243k of capital works were incorrectly expensed last year.

A net result of two errors above is a decrease of the opening carrying value of WIP and opening retained earnings is \$776k.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(b) Correction of errors relating to a previous reporting period (continued)

Double Counting Carparks Assets

It was noted that during last year revaluation, external values included multilevel carparks in Buildings category during revaluation. However, these carparks were already accounted for in Open Space assets category.

This adjustment decreases Open Space assets category and decreases opening balance of retained earnings by \$59,822k.

Impaired Buildings

North Rocks Pre-School should have been impaired last year when corresponding land parcel was reclassified as held for sale and 2 Darwin St. buildings was sold by Hornsby Shire Council prior to amalgamation but was not disposed in the fixed assets register. These prior year errors resulted in a decrease of opening net book value of Buildings on Note 10 and a decrease of opening balance of retained earnings by \$1,445k.

Assets Held For Sale

Even though, Parramatta Square sites were reclassified to the Assets Held for Sale category last year and removed from Note 10, \$5,610k associated with the development were incorrectly added to the Operational Land category on Note 10.

The Parramatta Square overheads asset was identified in Other Assets category. This asset should have been written off last year when Parramatta Square assets were reclassified as Held for Sale. The impact is \$4,528k decrease in the opening balance of Other Assets on Note 10 and retained earnings.

The sale of Lennox Carpark occurred last year but the land parcel was not disposed from the Operational Land asset category. As a result, opening balance of Operational Land and retained earnings were overstated by \$5,310k.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the table below.

Adjustments to the comparative figures for the period ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Infrastructure, property, plant and equipment	2,498,688	(20,049)	2,478,639
Total assets	3,025,831	(20,049)	3,005,782
Security bonds, deposits and retentions	8,837	170	9,007
Total liabilities	147,754	170	147,924
Retained earnings	2,878,077	–	2,878,077
Total equity	2,878,077	–	2,857,858
Income Statement			
Net gain from the disposal of assets	9,663	(5,310)	4,353
Gain on local government amalgamation	2,800,103	(14,909)	2,785,194
Total income from continuing operations	2,878,077	(20,219)	2,857,858
Net operating result for the year	2,878,077	(20,219)	2,857,858

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	13/5/16 to 30/6/17
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	17,446	32,430
Balance as per the Statement of Cash Flows		17,446	32,430
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		35,632	72,665
Adjust for non-cash items:			
Depreciation and amortisation		39,492	46,983
Net losses/(gains) on disposal of assets		(960)	(4,353)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(865)	580
– Revaluation decrements / impairments of IPP&E direct to P&L		111	–
Share of net (profits) or losses of associates/joint ventures		(866)	(780)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		31,585	(1,649)
Increase/(decrease) in provision for doubtful debts		10,167	20
Decrease/(increase) in inventories		2	34
Decrease/(increase) in other assets		142	(166)
Increase/(decrease) in payables		(1,751)	(4,024)
Increase/(decrease) in accrued interest payable		(49)	(532)
Increase/(decrease) in other accrued expenses payable		(12,888)	2,608
Increase/(decrease) in other liabilities		2,529	(2,146)
Increase/(decrease) in employee leave entitlements		(679)	4,444
Increase/(decrease) in other provisions		(1,734)	103
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		99,868	113,788

Note 16. Interests in other entities

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	866	780	6,148	5,748
Total	866	780	6,148	5,748

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(a) Joint arrangements

(i) Joint ventures

Council has incorporated the following joint ventures into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Civic Risk West	Joint venture	Equity method	5,386	5,138
Civic Risk Mutual (Westpool and UIP)	Joint venture	Equity method	762	610
Total carrying amounts – material joint ventures			6,148	5,748

(b) Details

Name of entity	Principal activity
Civic Risk West	
Civic Risk Mutual	Management of public liability and property insurance

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
Civic Risk West	13%	17%	13%	13%	10%	10%
Civic Risk Mutual	9%	9%	9%	9%	6%	6%

(d) Summarised financial information for joint ventures

Statement of financial position	Civic Risk West		Civic Risk Mutual	
	2018	2017	2018	2017
Current assets				
Cash and cash equivalents	3,022	4,619	1,158	506
Other current assets	19,442	13,732	5,759	6,239
Non-current assets	41,740	47,434	5,989	5,888
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	6,111	5,008	2,690	2,890
Other current liabilities	720	688	299	423
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	15,612	20,429	1,448	2,830
Net assets	41,761	39,660	8,469	6,490

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(a) Joint arrangements (continued)

(d) Summarised financial information for joint ventures (cont'd)

	Civic Risk West		Civic Risk Mutual	
	2018	2017	2018	2017
Reconciliation of the carrying amount				
Opening net assets	39,660	32,197	6,490	7,286
Profit/(loss) for the period	5,913	7,463	1,979	(796)
Other adjustments to equity:	(3,812)	–	–	–
Closing net assets	41,761	39,660	8,469	6,490
Council's share of net assets (%)	12.9%	13.0%	9.0%	9.4%
Council's share of net assets (\$)	5,386	5,138	762	610
Statement of comprehensive income				
Income	6,076	7,064	9,425	8,302
Interest income	3,261	3,757	439	584
Interest expense	(17)	(17)	–	–
Other expenses	(3,407)	(3,341)	(7,886)	(9,682)
Profit/(loss) for period	5,913	7,463	1,978	(796)
Total comprehensive income	5,913	7,463	1,978	(796)
Share of income – Council (%)	12.1%	11.7%	7.5%	11.7%
Profit/(loss) – Council (\$)	717	873	149	(93)
Total comprehensive income – Council (\$)	717	873	149	(93)
Equity returned to the Council during the year	466	–	–	–

Accounting policy for joint arrangements

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Interests in other entities (continued)

\$ '000

(b) Unconsolidated structured entities

Council is not required to consolidate the following structured entities:

1. Parramasala

The principal objective of Parramasala Limited is the promotion of multicultural literature, music, performing arts, visual arts, craft, design, film and community arts. Multicultural NSW and City of Parramatta Council are two investors of the Company. Investors sign an annual agreement with Parramasala.

According to the 2018 annual agreement, the Council sponsorship amount is \$200k and in-kind support of Parramasala festival (providing office facilities, marketing, etc.).

Nature of risks relating to the Unconsolidated Structured Entity

Council signs an annual agreement with Parramasala that establishes the terms and conditions of sponsorship and annual festival. There are no further obligations between the entities. The term of the Agreement is for a period of 1 year from 1 July 2017 to 30 June 2018.

As per the Agreement, Parramasala delivers the festival at its own risk and releases Council from any claims, liabilities or damages in relation to the festival.

	2018	13/5/16 to 30/6/17
Expenses incurred by Council relating to the Structured Entity:		
– Sponsorship	200	202
– In-kind	5	5

Current intention to provide financial support

Council has a current intention to support the Unconsolidated Structured Entity.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies and commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	13,436	1,596
Plant and equipment	5,330	255
Footpaths	1,279	235
Roads, kerb and gutter	3,132	875
Bridges	66	–
Stormwater Drainage	1,401	94
Land Improvements	1,327	914
Other	1,054	221
Total commitments	27,025	4,190
These expenditures are payable as follows:		
Within the next year	27,025	4,190
Total payable	27,025	4,190
Sources for funding of capital commitments:		
Unrestricted general funds	4,834	957
Future grants and contributions	538	–
Sect 64 and 94 funds/reserves	13,563	906
Unexpended grants	757	739
Externally restricted reserves	557	–
Internally restricted reserves	5,552	–
Special rates	1,224	380
Other funding	–	1,208
Total sources of funding	27,025	4,190

Details of capital commitments

Capital commitments relate to ongoing capital projects such as 5 Parramatta Square development, interior fit-out of the Community Centre, roads, kerb and gutter maintenance, aquatic centre design etc.

(b) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	5,710	4,651
Later than one year and not later than 5 years	15,174	1,093
Total non-cancellable operating lease commitments	20,884	5,744

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

Operating leases are in place for computer equipment and property assets and have lease terms of between five to seven years.

Conditions relating to operating leases:

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies and commitments for expenditure (continued)

(c) Contingent Assets and Liability

There are no known material contingent assets or liabilities as at 30 June 2018.

Note 18. Financial risk management

\$ '000

Risk management

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

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

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

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	17,446	32,430	17,470	32,430
Investments				
– 'Held for trading'	95,444	92,708	95,444	92,708
– 'Held to maturity'	223,612	99,822	223,612	99,822
Receivables	49,683	84,400	54,432	84,400
Total financial assets	386,185	309,360	390,958	309,360
Financial liabilities				
Payables	32,882	45,599	32,882	45,428
Loans/advances	48,451	59,257	49,886	61,299
Total financial liabilities	81,333	104,856	82,768	106,727

Fair value is determined as follows:

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	9,544	9,544	(9,544)	(9,544)
Possible impact of a 1% movement in interest rates	2,410	2,410	(2,410)	(2,410)
13/5/16 to 30/6/17				
Possible impact of a 10% movement in market values	9,271	9,271	(9,271)	(9,271)
Possible impact of a 1% movement in interest rates	1,323	1,323	(1,323)	(1,323)

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

There are no material receivables that have been subjected to a re-negotiation of repayment terms. A profile of Council's receivables credit risk at balance date follows:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	79%	70%	2%	83%
Overdue	21%	30%	98%	17%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			6,348	124
< 1 year overdue			1,271	4,865
1 – 2 years overdue			101	341
2 – 5 years overdue			73	258
> 5 years overdue			273	188
			8,066	5,776
Other receivables				
Current			35,785	66,489
0 – 30 days overdue			1,440	167
31 – 60 days overdue			11	1,423
61 – 90 days overdue			16	4,208
> 91 days overdue			15,690	7,495
			52,942	79,782

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	11,119	20,722	–	–	31,841	32,882
Loans and advances	5.07%	–	11,340	41,200	2,962	55,502	48,451
Total financial liabilities		11,119	32,062	41,200	2,962	87,343	81,333
2017							
Trade/other payables	0.00%	9,008	36,593	–	–	45,601	45,599
Loans and advances	5.13%	–	13,672	42,422	13,080	69,174	59,257
Total financial liabilities		9,008	50,265	42,422	13,080	114,775	104,856

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	164,945	171,054	6,109	4% F
User charges and fees	38,427	35,410	(3,017)	(8%) U
Interest and investment revenue	6,711	8,992	2,281	34% F
Additional revenue received for the disposal of Parramatta Square building sites 3 & 4 resulting in higher investment balances and returns received. City of Parramatta were able to receive favourable rates in returns on investments resulting in larger return on investment.				
Other revenues	16,075	12,974	(3,101)	(19%) U
Other revenue is below the budget due to the over budgeting of parking fines and sponsorship revenue resulting in a shortfall for 2017/18.				
Operating grants and contributions	15,109	21,562	6,453	43% F
Early payment of the Financial Assistance Grant (FAG) and higher than anticipated child care rebate funding resulted into this favourable variance.				
Capital grants and contributions	31,010	46,117	15,107	49% F
Capital grants and contributions are significantly higher than budgeted due to early grant payments for 2018/19 from NSW Department of Planning and Infrastructure (\$5,243k) for Carter Street Regional Cycleways and Escarpment Boardwalk, RMS Block Grant (\$565k) and Financial Assistance Grant (\$4,831k). West Epping Park received a contribution for \$6,602k for the completion of works that was not budgeted. Other variances relate to S7.4 and S7.11 contributions being above budget.				
Net gains from disposal of assets	–	960	960	100% F
Net gain from the sale of Plant and Equipment and Parramatta Square (Building 3) was not budgeted for.				
Joint ventures and associates - net profits	–	866	866	100% F
Movement in Joint Ventures net assets for 2017/18.				

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	104,961	99,826	5,135	5%	F
Borrowing costs	2,818	2,814	4	0%	F
Materials and contracts	78,419	80,254	(1,835)	(2%)	U
Depreciation and amortisation	39,422	39,492	(70)	(0%)	U
Other expenses	27,511	39,806	(12,295)	(45%)	U
Unfavorable variance is mainly due to \$10,367k bad debt write-off expenditure in relation to Section 7.11 funds receivable from Hornsby Council.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	58,568	99,868	41,300	70.5%	F
Cash flow from operating activities is significantly higher than budgeted due to early grant payments for 2018/19 from NSW Department of Planning and Infrastructure (\$5,243k) for Carter Street Regional Cycleways and Escarpment Boardwalk, RMS Block Grant (\$565k) and Financial Assistance Grant (\$4,831k). West Epping Park received a contribution for \$6,602k for the completion of works that was not budgeted. Other variances relate to S7.4 and S7.11 contributions being above budget.					
Cash flows from investing activities	(55,658)	(104,046)	(48,388)	86.9%	U
Cash flow exceeded budget due to the sale of Parramatta Square (sites 3&4), which resulted into higher cash balance to invest resulting in investment purchases.					
Cash flows from financing activities	(10,806)	(10,806)	-	0.0%	F

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	29/06/18	95,444	–	–	95,444
Total financial assets		95,444	–	–	95,444
Infrastructure, property, plant and equipment					
Operational land	13/05/16	–	443,146	–	443,146
Community land	30/06/18	–	–	385,579	385,579
Land under roads	30/06/18	–	–	2,151	2,151
Buildings-non specialised	13/05/16	–	–	165,356	165,356
Buildings-specialised	13/05/16	–	–	27,869	27,869
Open space	30/06/18	–	–	49,171	49,171
Other structures	13/05/16	–	–	11,894	11,894
Roads	13/05/16	–	–	895,056	895,056
Bridges	13/05/16	–	–	70,858	70,858
Footpaths	31/03/18	–	–	126,544	126,544
Stormwater drainage	13/05/16	–	–	224,789	224,789
Bulk earthworks	13/05/16	–	–	102,338	102,338
Swimming pools	13/05/16	–	–	989	989
Total infrastructure, property, plant and equipment		–	443,146	2,062,594	2,505,740

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments – 'Held for trading'	92,708	–	–	92,708
Total financial assets	92,708	–	–	92,708
Infrastructure, property, plant and equipment				
Operational land	–	443,146	–	443,146
Community land	–	–	330,037	330,037
Land under roads	–	–	1,847	1,847
Buildings-non specialised	–	–	163,225	163,225
Buildings-specialised	–	–	28,551	28,551
Open space	–	–	21,337	21,337
Other structures	–	–	11,229	11,229
Roads	–	–	898,976	898,976
Bridges	–	–	69,329	69,329
Footpaths	–	–	121,468	121,468
Stormwater drainage	–	–	218,632	218,632
Bulk earthworks	–	–	102,338	102,338
Swimming pools	–	–	984	984
Total infrastructure, property, plant and equipment	–	443,146	1,967,953	2,411,099
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Land	209,650	–	–	209,650
Total NCA's classified as 'held for sale'	209,650	–	–	209,650

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

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs) or significant observable inputs (level 2 inputs), Council instead utilises unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and 3 inputs are as follows:

Operational Land

This asset class is comprised of all Council's land classified as Operational Land under the Local Government Act 1993. The last valuation was undertaken at 13 May 2016 by APV Valuers & Asset Management.

Carrying amount of Operational Land was assessed at this reporting date by management using APV indices report. Change in carrying value was considered to be immaterial.

The valuation of the freehold land has been carried out on a market value basis - assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets.

This asset class is categorised as level 2 as the inputs used in the valuation of these assets are observable.

Community Land

Community land assets are comprised of Council owned land classified as Community Land under the Local Government Act 1993 and land under the care and management of Council on behalf of the Crown.

Council Community Land was revalued as at 30 April 2018 based on the Valuer General's valuation.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Land Under Roads

Land Under Roads identified as roads constructed post 1/7/2008 has been valued on 13 May 2016, based on Municipal Average Land Rate discounted by 90%. Council has elected to only recognise land under roads for new roads constructed after 1/7/2008.

Carrying amount of Land Under Roads was assessed at this reporting date by management and change in carrying value was considered to be immaterial.

Buildings

Council engaged Assetic Pty Ltd in 2016 to value all buildings and to assess change in carrying amount at the end of this financial year. Change in carrying value was considered to be immaterial.

The valuation methodology applied is dependent on whether a market exists to substantiate the value of the asset.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets. The net value of the building and site services is the difference between the market value of the asset (as a whole) less the market value of the land component.

Where there is no depth of market the fair value has been determined on current replacement basis. This is calculated by determining the gross current replacement cost and determining the amount of accumulated depreciation to reflect the level of service potential remaining in the asset.

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting etc). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgment and are unobservable.

Other Structures

This asset class is comprised of car parking buildings, shade shelters, retaining walls, fountains, and other structures which did not meet the definition of a building.

The cost approach has been utilised to value other structures. Council engaged Assetic Pty Ltd to value all car parking buildings on May 13 2016 and to assess change in carrying amount at the end of this financial year. Change in carrying value was considered to be immaterial.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Unobservable level 3 inputs used include residual value, useful life, asset condition and pattern of consumption.

Roads

This asset class is comprised of the Road Carriageway, Kerb & Gutter, Street Furniture, Signage and Traffic Facilities. The road carriageway is defined as the trafficable portion of a road including the kerb and gutter.

Council's roads are componentised into the formation, pavement, sub-pavement, surface and kerb & gutter and further separated into segments for inspection and valuation.

The formation costs for roads are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. The formation of roads bulk earthworks is non-depreciable as it is not expected that the formation will not need to be renewed during the normal operational use of the assets.

A desktop valuation has been completed in 2016 by Assetic Pty Ltd. The cost approach was adopted to value Council roads. The replacement cost (based on unit rates), useful lives and conditions were determined by a complete condition assessment using digital imaging technology to gather the granular condition of the Road network by and external specialist Infrastructure Management Group Pty Ltd. and this information was analysed by Assetic's Pavement Management System using myData and myPreditor.

The valuations are based on the fair value of the modern equivalent of the existing assets. This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset. The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Pavement and Surface condition were rated by IMG in 2015. Council has a documented condition assessment manual. Each condition criteria were assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Council engaged Assetic Pty Ltd to assess change in carrying amount of Roads at the end of this financial year. Change in carrying value was considered to be immaterial and no revaluation was performed this financial year.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

Bridges

This asset class is comprised of all pedestrian and vehicle access bridges.

A revaluation was conducted in 2016 for the existing Parramatta bridges by Assetic Pty Ltd.

The bridges were inspected by pitt+sherry Engineers and Assetic Pty Ltd valued using the cost approach. The significant inputs used in valuing bridges useful life, pattern of consumption, asset condition and gross replacement cost.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Council engaged Assetic Pty Ltd to assess change in carrying amount of Bridges at the end of this financial year. Change in carrying value was considered to be immaterial and no revaluation was performed this financial year.

Footpaths

This asset class is comprised of pedestrian walkways and cycle ways. A comprehensive valuation was conducted by Assetic Pty Ltd on 30 March 2018. Replacement costs (unit rates) and useful lives were determined using technical knowledge. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

Surface condition was rated by IMG. Each condition criteria were assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor). IMG Ltd undertook digital imagery condition survey of all Council Footpath assets. Assetic Pty Ltd used the condition data to value the footpath assets using the Cost Approach (Level 3).

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits, pipes, open channels, culverts, wetlands, headwalls, dams and gross pollutant traps. In 2016 Assetic Pty Ltd completed a desktop valuation of these assets using the replacement cost approach. The valuations are based on the fair value of the modern equivalent of the existing assets. This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset. The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Replacement costs (unit rates) and useful lives for stormwater drainage assets were determined through a combination of historic data and technical knowledge, which

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age. Additionally, due to the limitations in the historical records of very long lived assets there is some uncertainty on the specifications and dimensions of some assets.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Council engaged Assetic Pty Ltd to assess change in carrying amount of Stormwater Drainage at the end of this financial year. Change in carrying value was considered to be immaterial and no revaluation was performed this financial year.

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The swimming pools were inspected by Knowledge ASM and a comprehensive valuation was conducted by Assetic Pty Ltd in 2016 using the cost approach. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Council engaged Assetic Pty Ltd to assess change in carrying amount of Swimming Pools at the end of this financial year. Change in carrying value was considered to be immaterial and no revaluation was performed this financial year.

Open Space Assets

Open space assets include assets such as playground equipment, BBQs and other park facilities.

All open space assets were valued by internal experts using Level 3 valuation inputs using the cost approach.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

\$ '000

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

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

	Total IPP&E	Total
Opening balance – 13/5/16	–	–
Balance on transfer from former Councils	1,989,115	1,989,115
Purchases (GBV)	28,108	28,108
Disposals (WDV)	(15,568)	(15,568)
Depreciation and impairment	(33,702)	(33,702)
Closing balance – 30/6/17	<u>1,967,953</u>	<u>1,967,953</u>
Purchases (GBV)	55,192	55,192
Disposals (WDV)	(59)	(59)
Depreciation and impairment	(32,227)	(32,227)
FV gains – other comprehensive income	71,735	71,735
Closing balance – 30/6/18	<u>2,062,594</u>	<u>2,062,594</u>

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 20. Fair value measurement (continued)

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Community Land	385,579	Land Values obtained from the NSW Valuer-General	Land value, land area
Land Under Roads	2,151	Englobo methodology	Land value, land area
Buildings (Specialised and Non-Specialised)	193,225	Market-based direct comparison/cost approach	Market value if available. Otherwise, current replacement cost
Other Structures	11,894	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Roads	997,394		
Bridges	70,858		
Footpaths	126,544		
Stormwater Drainage	224,789		
Swimming Pools	989		
Open Space Assets	49,171		

(5). Highest and best use

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. Specifically, KMP of Council are the:

- (a) Lord Mayor;
- (b) Councillors;
- (c) CEO;
- (d) Directors;

The aggregate amount of KMP compensation included in the Income Statement is:

Compensation:	2018
Short-term benefits	3,165
Post-employment benefits	240
Other long-term benefits	119
Termination benefits	129
Total	3,653

KMP compensation includes all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. If a person became a KMP of a reporting entity during a reporting period, no disclosure is required for any remuneration paid to that person before that person's appointment as KMP. If a person ceases to be a KMP during a reporting period, the entity is required to disclose that person's compensation for the period until cessation. Short-term benefits include cash salary and, where relevant for executives, lump sum payments, motor vehicle benefits, car parking and the fringe benefits tax paid or payable on these benefits. Post-employment benefits include superannuation benefits. Other long-term benefits include long service leave and annual leave.

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Aside from these arm's length "ordinary citizen transactions", no further transactions between KMP (and their related parties) and Council took place during the reporting period.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Events occurring after the reporting date

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

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	445	–	–	11	(201)	–	255	–
Community facilities	5,660	750	–	189	–	–	6,599	–
Traffic and parking	2,817	–	–	87	(71)	–	2,833	–
Traffic and transport	134	–	–	4	(18)	–	120	–
Councils OnLine	32	(0)	–	1	(19)	–	14	–
Public domain projects	5,398	1,472	–	193	(0)	–	7,062	–
River foreshore park	2,146	566	–	74	(148)	–	2,638	–
Arts and cultural facility	7,129	1,130	–	232	(642)	–	7,849	–
Recreation Facilities	4,503	941	–	156	–	–	5,600	–
Historic buildings	544	188	–	20	–	–	752	–
Car park enhancements	183	188	–	–	(371)	–	0	–
Access and transport	7,614	1,129	–	256	(74)	–	8,925	–
Ermington traffic and pedestrian	78	–	–	–	(78)	–	0	–
Community facilities (A)	1,077	1,619	–	42	(1,075)	–	1,663	–
Drainage, water quality and laneway infrastructure	1,329	924	–	56	(39)	–	2,270	–
Natural environment	–	307	–	0	(302)	–	5	–
Open space and recreation	4,326	2,696	–	165	(844)	–	6,343	–
Public domain	1,724	769	–	63	(207)	–	2,349	–
Roads and shared paths	3,064	1,382	–	114	(277)	–	4,283	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

SUMMARY OF CONTRIBUTIONS AND LEVIES (continued)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parramatta Square	–	312	–	–	(312)	–	(0)	–
Open Space Land - Former Hills	2,679	561	–	93	–	–	3,333	–
Open Space Capital - Former Hills	154	126	–	7	–	–	287	–
Transport Facilities Capital - Former Hills	1,328	307	–	47	–	–	1,682	–
Administration - Former Hills	1,118	20	–	35	–	–	1,173	–
Stormwater Management - Former Hills	1,521	404	–	54	–	–	1,979	–
Community Facilities - Former Hills	1,425	365	–	43	–	–	1,833	–
Open Space and Recreation -Former Hills	3,170	40	–	50	–	–	3,260	–
Roads and Natural Paths -Former Hills	2,878	139	–	47	(37)	–	3,027	–
Natural Environment -Former Hills	1	17	–	0	–	–	18	–
Public Domain -Former Hills	1	17	–	0	–	–	18	–
Drainage and Water Quality -Former Hills	1	22	–	0	–	–	23	–
Drainage & Water Quality (Former Hornsby)	–	32	–	1	–	–	33	–
Public Domain - Former Hornsby	–	252	–	24	–	–	276	–
Roads - Former Hornsby	1,978	226	–	45	–	–	2,249	–
Open Space - Former Hornsby	5,957	2,301	–	164	–	–	8,422	–
Community Facilities - Former Hornsby	2,331	299	–	63	–	–	2,693	–
Plan Administration - Former Hornsby	30	8	–	1	–	–	39	–
Other - Former Hornsby	104	1,824	–	32	–	–	1,960	–
Community Facilities - Former Auburn	27	33	–	1	–	–	61	–
Public Domain - Former Auburn	56	76	–	3	–	–	135	–
Accessibilty and Traffic - Former Auburn	16	21	–	1	–	–	38	–
Plan Administration - Former Auburn	6	8	–	0	–	–	14	–
Open Space (HBW)	7,070	1,885	–	252	–	–	9,207	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

SUMMARY OF CONTRIBUTIONS AND LEVIES (continued)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community Facilities (HBW)	4,198	1,055	–	148	(30)	–	5,371	–
Traffic Management (HBW)	1,400	780	–	56	–	–	2,236	–
Plan Administration (HBW)	296	273	–	14	–	–	583	–
Community Facilities (Carter Street)	30	312	–	6	–	–	348	–
Local Open Space (Carter Street)	77	823	–	15	–	–	915	–
District Recreation (Carter Street)	175	1,870	–	35	–	–	2,080	–
Active Transport (Carter Street)	58	623	–	12	–	–	693	–
Traffic Management (Carter Street)	170	623	–	15	–	–	808	–
Plan Administration (Carter Street)	2	25	–	0	–	–	27	–
Parks and Recreation (former Holroyd)	5	1	–	0	–	–	6	–
Sporting Fields (former Holroyd)	5	1	–	0	–	–	6	–
Community Facilities (former Holroyd)	2	2	–	0	–	–	4	–
S7.11 contributions – under a plan	86,472	29,744	–	2,928	(4,746)	–	114,398	–
Total S7.11 and S7.12 revenue under plans	86,472	29,744	–	2,928	(4,746)	–	114,398	–
S7.4 planning agreements	2,175	1,660	–	94	(42)	–	3,887	–
Total contributions	88,647	31,404	–	3,022	(4,788)	–	118,285	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

PARRAMATTA S 94 CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic and parking	2,817	–	–	87	(71)	–	2,833	
Total	2,817	–	–	87	(71)	–	2,833	–

PARRAMATTA COMPREHENSIVE SECTION 94 CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	445	–	–	11	(201)	–	255	
Traffic and transport	134	–	–	4	(18)	–	120	
Total	579	–	–	15	(219)	–	375	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

PARRAMATTA COMPREHENSIVE SECTION 94A CONTRIBUTION PLAN (NON CITY CENTRE)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Councils OnLine	32	(0)	–	1	(19)	–	14	
Community facilities (A)	1,077	1,619	–	42	(1,075)	–	1,663	
Drainage, water quality and laneway infrastructure	1,329	924	–	56	(39)	–	2,270	
Natural environment	–	307	–	0	(302)	–	5	
Open space and recreation	4,326	2,696	–	165	(844)	–	6,343	
Public domain	1,724	769	–	63	(207)	–	2,349	
Roads and shared paths	3,064	1,382	–	114	(277)	–	4,283	
Total	11,552	7,697	–	441	(2,763)	–	16,927	–

PARRAMATTA COMPREHENSIVE SECTION 94A CONTRIBUTION PLAN (CIVIC IMPROVEMENT)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	5,660	750	–	189	–	–	6,599	
Public domain projects	5,398	1,472	–	193	(0)	–	7,063	
River foreshore park	2,146	566	–	74	(148)	–	2,638	
Arts and cultural facility	7,129	1,130	–	232	(642)	–	7,849	
Recreation Facilities	4,503	941	–	156	–	–	5,600	
Historic buildings	544	188	–	20	–	–	752	
Car park enhancements	183	188	–	–	(371)	–	0	
Access and transport	7,614	1,129	–	256	(74)	–	8,923	
Parramatta Square	-	312	–	–	(312)	–	(0)	
Total	33,177	6,676	-	1,120	(1,548)	-	39,424	-

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

ERMINGTON TRAFFIC AND PEDESTRIAN WORKS

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Ermington traffic and pedestrian	78	–	–	–	(78)	–	0	
Total	78	–	–	–	(78)	–	0	–

SECTION 94 DEVELOPMENT CONTRIBUTION PLAN - CARLINGFORD PRECINCT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open Space Land - Former Hills	2,679	561	–	93	–	–	3,333	
Open Space Capital - Former Hills	154	126	–	7	–	–	287	
Transport Facilities Capital - Former Hills	1,328	307	–	47	–	–	1,682	
Administration - Former Hills	1,118	20	–	35	–	–	1,173	
Stormwater Management - Former Hills	1,521	404	–	54	–	–	1,979	
Community Facilities - Former Hills	966	333	–	36	–	–	1,335	
Total	7,766	1,751	–	272	–	–	9,789	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

SECTION 94A DEVELOPMENT CONTRIBUTION PLAN-FORMER HILLS LGA LAND

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community Facilities - Former Hills	459	32	–	8	–	–	499	
Open Space and Recreation -Former Hills	3,170	40	–	50	–	–	3,260	
Roads and Natural Paths -Former Hills	2,878	139	–	47	(37)	–	3,027	
Natural Environment -Former Hills	1	17	–	0	–	–	19	
Public Domain -Former Hills	1	17	–	0	–	–	19	
Drainage and Water Quality -Former Hills	1	22	–	0	–	–	23	
Total	6,510	267	–	105	(37)	–	6,847	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

SECTION 94 FORMER EPPING AND HORNSBY TC

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Plan Administration - Former Hornsby	–	4	–	0	–	–	4	
Community Facilities - Former Hornsby	–	146	–	2	–	–	148	
Drainage & Water Quality (Former Hornsby)	–	32	–	1	–	–	33	
Open Space - Former Hornsby	–	1,298	–	–	–	–	1,298	
Public Domain - Former Hornsby	–	252	–	24	–	–	277	
Roads - Former Hornsby	–	147	–	2	–	–	149	
Total	–	1,879	–	29	–	–	1,909	–

HORNSBY SECTION 94 DEVELOPMENT CONTRIBUTIONS PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads - Former Hornsby	1,978	79	–	43	–	–	2,100	
Open Space - Former Hornsby	5,957	1,003	–	164	–	–	7,124	
Community Facilities - Former Hornsby	2,331	153	–	61	–	–	2,545	
Plan Administration - Former Hornsby	30	4	–	1	–	–	35	
Total	10,296	1,239	–	269	–	–	11,804	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

HORNSBY SECTION 94A DEVELOPMENT CONTRIBUTION PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other - Former Hornsby	104	1,751	–	31	–	–	1,886	
Total	104	1,751	–	31	–	–	1,886	–

AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART B RESIDENTIAL AND PART F EMPLOYMENT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community Facilities - Former Auburn	27	34	–	1	–	–	62	
Public Domain - Former Auburn	56	76	–	3	–	–	135	
Accessibility and Traffic - Former Auburn	16	21	–	1	–	–	38	
Plan Administration - Former Auburn	6	8	–	0	–	–	14	
Total	105	139	–	5	–	–	249	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART C HOMEBUSH BAY WEST

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open Space (HBW)	7,070	1,885	–	252	–	–	9,207	
Community Facilities (HBW)	4,198	1,055	–	148	(30)	–	5,371	
Traffic Management (HBW)	1,400	780	–	56	–	–	2,236	
Plan Administration (HBW)	296	273	–	14	–	–	583	
Total	12,964	3,993	–	469	(30)	–	17,397	–

CARTER STREET PRECINCT DEVELOPMENT CONTRIBUTION PLAN 2016

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community Facilities (Carter Street)	30	312	–	6	–	–	348	
Local Open Space (Carter Street)	77	823	–	15	–	–	915	
District Recreation (Carter Street)	175	1,870	–	35	–	–	2,080	
Active Transport (Carter Street)	58	623	–	12	–	–	693	
Traffic Management (Carter Street)	170	623	–	15	–	–	808	
Plan Administration (Carter Street)	2	25	–	0	–	–	27	
Total	512	4,275	–	83	–	–	4,871	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

HOLROYD SECTION 94 DEVELOPMENT CONTRIBUTIONS PLAN 2013

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parks and Recreation (former Holroyd)	5	1	–	0	–	–	6	
Sporting Fields (former Holroyd)	5	1	–	0	–	–	6	
Community Facilities (former Holroyd)	2	2	–	0	–	–	4	
Total	12	4	–	0	–	–	16	–

SECTION 94A FORMER EPPING AND HORNSBY TC

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other - Former Hornsby	–	74	–	1	–	–	75	
Total	–	74	–	1	–	–	75	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.4 planning agreements

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parramatta River Pedestrian Crossing	1,725	1,130	–	72	–	–	2,927	
Local Road Works River Road West	166	–	–	5	–	–	171	
Local road works Ermington	53	–	–	1	(42)	–	12	
Robin Thomas Reserve	210	–	–	7	–	–	217	
Bushland Regeneration Ponds Creek Reserve	21	–	–	1	–	–	22	
Lennox Bridge Portals	–	530	–	8	–	–	538	
Total	2,175	1,660	–	94	(42)	–	3,887	–

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Local Government amalgamation

\$ '000 Notes

The local government (City of Parramatta and Cumberland) Proclamation 2016 under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Parramatta City Council, Auburn City Council, Holroyd City Council, The Hills Shire Council and Hornsby Shire Council to the City of Parramatta Council as at 12th May 2016.

Gain on local government amalgamation

Assets and liabilities transferred from former councils
Accounting policy adjustments

		Actual 13/5/16
	a	4,822,118
		<u>(2,036,925)</u>
		<u>2,785,193</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Parramatta City Council
- Auburn City Council
- Holroyd City Council
- The Hills Shire Council
- Hornsby Shire Council

have been recognised by the Council at fair value.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Parramatta City Council	Former Auburn Council	Former Holroyd Council	Altered Hills Shire Council	Altered Hornsby Shire Council	Gain on local government amalgamation
ASSETS						
Current assets						
Cash and cash equivalents	17,511	–	–	–	–	17,511
Investments	158,467	–	–	–	–	158,467
Receivables	24,024	10,196	–	10,941	10,543	55,704
Inventories	118	–	–	–	–	118
Other	217	–	–	–	–	217
Non-current assets classified as 'held for sale'	209,650	–	–	–	–	209,650
Total current assets	409,987	10,196	–	10,941	10,543	441,667
Non-current assets						
Investments	26,890	–	–	–	–	26,890
Receivables	1,249	–	–	–	–	1,249
Infrastructure, property, plant and equipment	1,791,023	163,602	30,703	275,204	201,206	2,461,738
Investments accounted for using the equity method	4,968	–	–	–	–	4,968
Intangible assets	2,713	–	–	–	–	2,713
Total non-current assets	1,826,843	163,602	30,703	275,204	201,206	2,497,558
TOTAL ASSETS	2,236,830	173,798	30,703	286,145	211,749	2,939,225
LIABILITIES						
Current liabilities						
Payables (excluding bank overdraft)	50,519	–	–	–	–	50,519
Borrowings	13,787	–	–	–	–	13,787
Provisions	29,068	–	–	–	–	29,068
Total current liabilities	93,374	–	–	–	–	93,374
Non-current liabilities						
Payables	–	–	–	–	–	–
Income received in advance	–	–	–	–	–	–
Borrowings	59,257	–	–	–	–	59,257
Provisions	1,401	–	–	–	–	1,401
Total non-current liabilities	60,658	–	–	–	–	60,658
TOTAL LIABILITIES	154,032	–	–	–	–	154,032
Net assets transferred	2,082,798	173,798	30,703	286,145	211,749	2,785,193

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Local Government amalgamation (continued)

 \$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

Adjustments made to recognise net assets at fair value

Write-off of assets where original cost is below Council's capitalisation threshold

Recognition of assets not recorded by former council

Changes in asset values due to comprehensive valuation process

Total adjustments
**Actual
2017**

1,024

(2,037,949)**(2,036,925)**

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(13,065)</u>	-5.24%	1.10%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>249,127</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>227,565</u>	77.08%	68.46%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>295,244</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>292,421</u>	4.87x	4.87x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>60,025</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>29,241</u>	2.15x	3.05x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>13,620</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>8,006</u>	4.51%	3.03%	< 5% metro
Rates, annual and extra charges collectible	<u>177,387</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>241,058</u>	10.91 mths	6.4 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>22,098</u>			

Notes

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

(2) Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

(3) Refer to Notes 12 and 13.

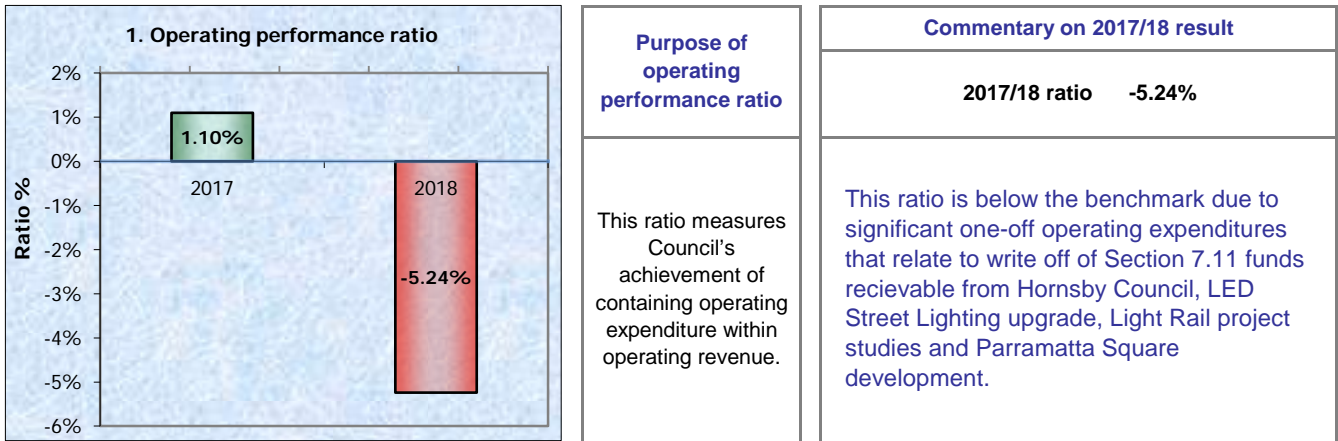
(4) Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

City Of Parramatta Council

Notes to the Financial Statements
for the year ended 30 June 2018

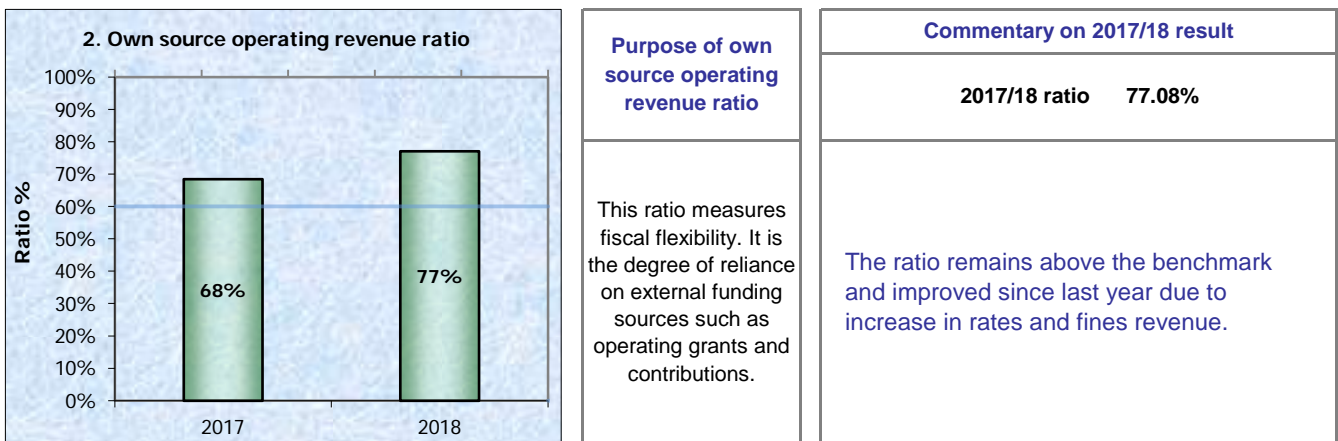
Note 25(b). Statement of performance measures – consolidated results (graphs)



Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

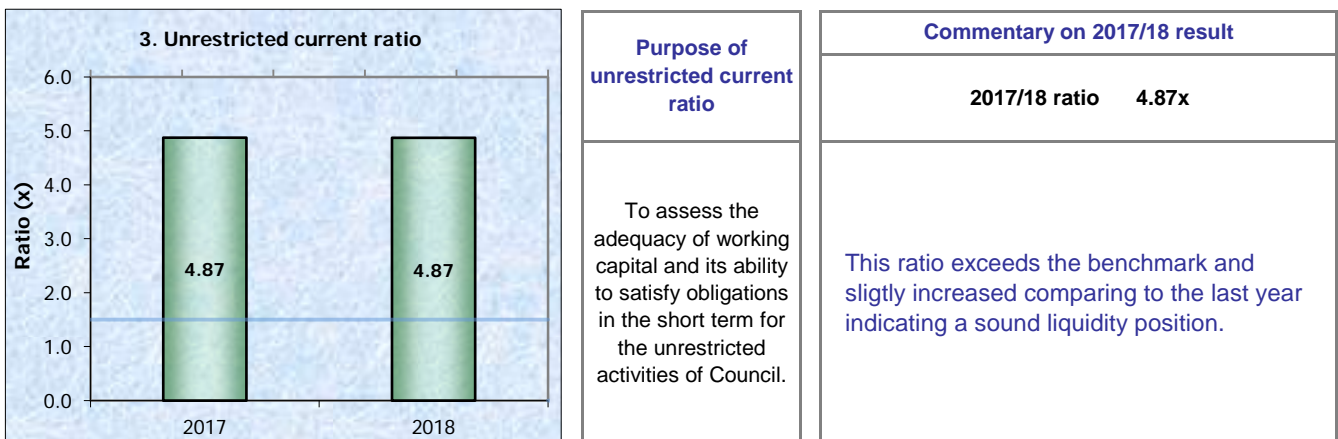
Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: ——— Minimum ≥ 1.50

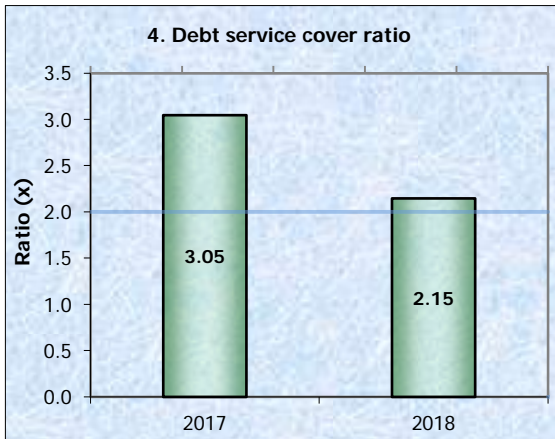
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

City Of Parramatta Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25(b). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

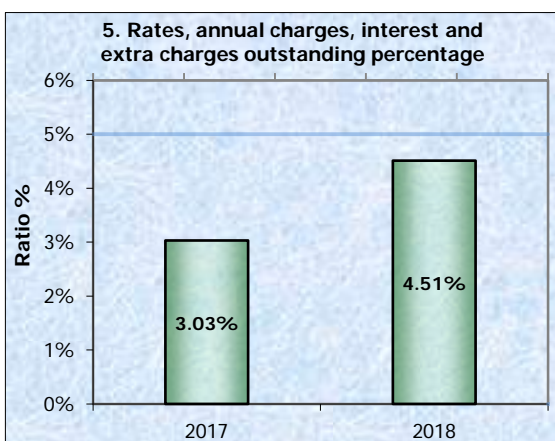
Commentary on 2017/18 result

2017/18 ratio 2.15x

Even though this ratio slightly decreased compared to the last year due to lower operating results before capital, it remains above the benchmark of 2.0 due to Council not taking up additional borrowings.

Benchmark: Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

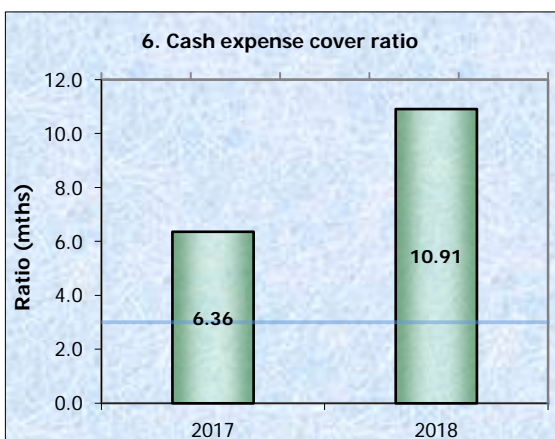
Commentary on 2017/18 result

2017/18 ratio 4.51%

This ratio is below the benchmark and indicates outstanding debt recovery results. This ratio deteriorated this year. The main reason is that the Council did not pursue any debtors associated with the new post-amalgamation areas since debtors' data accuracy had to be verified first. This ratio will improve in 2018/19.

Benchmark: Maximum <5.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result

2017/18 ratio 10.91 mths

Cash expense cover ratio exceeds the benchmark and improved this year due to higher cash balance as a result of sale of Parramatta Square assets and grants received in June.

Benchmark: Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

City Of Parramatta Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Council information and contact details

Principal place of business:

126 Church Street
Parramatta NSW 2150

Contact details

Mailing address:

PO BOX 32
Parramatta NSW 2124

Opening hours:

Monday - Friday
8:30am - 4:30pm

Telephone: (02) 9806 5050

Facsimile: (02) 9806 5917

Internet: <http://www.parracity.nsw.gov.au>

Email: council@parracity.nsw.gov.au

Officers

ACTING CHIEF EXECUTIVE OFFICER

Sue Coleman

RESPONSIBLE ACCOUNTING OFFICER

Alistair Cochrane

AUDITORS

The Audit Office of New South Wales
Level 15, 1 Margaret Street, Sydney NSW 2000

Elected members

MAYOR

Andrew Wilson

COUNCILLORS

Benjamin Barrak
Pierre Esber
Michelle Garrard (Deputy Lord Mayor)
Donna Davis
Bill Tyrrell
Lorraine Wearne
Bob Dwyer
Paul Han
Andrew Jefferies
Phil Bradley
Sameer Pandey
Martin Zaiter
Steven Issa
Dr Patricia Prociv

Other information

ABN: 49 907 174 773



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
City of Parramatta Council

To the Councillors of the City of Parramatta Council

Opinion

I have audited the accompanying financial report of City of Parramatta Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY

Andrew Wilson
Lord Mayor
City of Parramatta Council
PO Box 32
PARRAMATTA NSW 2124

Contact: Weini Liao
Phone no: 02 9275 7432
Our ref: D1823418/1776

30 October 2018

Dear Lord Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
City of Parramatta Council**

I have audited the general purpose financial statements of the City of Parramatta Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	171.1	168.4	↑ 1.6
Grants and contributions revenue	67.7	107.8	↓ (37.2)
Operating result for the year	35.6	72.7	↓ (51.0)
Net operating result before capital amounts	(10.5)	7.6	↓ (238.2)

City of Parramatta was created on 13 May 2016 by 'Local Government (City of Parramatta and Cumberland) Proclamation 2016'. The first financial reporting period for City of Parramatta was 13 May 2016 to 30 June 2017. Comparative analysis is 13 months compared to 12 months for the financial year 2017–18.

- Rates and annual charges revenue of \$171.1 million represented 57.4 per cent of the total income from operations. It increased by \$2.7 million (1.6 per cent) in 2017–18 as a result of the Council using 2016 Valuer-General's valuations for the basis of rate calculations, compared to 2013 valuations used in the prior year.
- Grants and contributions revenue of \$67.7 million decreased by \$40.1 million (37.2 per cent) in 2017–18 mainly due to:
 - Stronger Communities Fund (\$15 million) and New Council Implementation Fund (\$10 million) received in 2016–17 were non-recurring grants. These grants were utilised for the delivery of community infrastructure and service improvement projects as part of the amalgamation process. These funds were not received in the 2017–18
 - \$5.9 million lower grants received from Roads and Maritime Services in 2017–18. The main reason for the decline was due to some one-off grants received in 2016–17 that were not available to the Council in 2017–18 e.g. City River Renewal and Escarpment Boardwalk Funds
 - \$3.1 million one-off contributions to services from other councils received as part of the amalgamation were not made available in 2017–18.
- Council's operating result was a surplus of \$35.6 million including the effect of depreciation and amortisation expense of \$39.5 million. This was \$37 million lower than the 2016–17 result mainly due to the lower grants and contributions received for both capital and operating purposes.

The net operating result before capital grants and contributions was a deficit of \$10.5 million. This was \$18.2 million lower than the 2016–17 result mainly due to the lower operating result for the year and an impairment of section 7.11 funds receivable from Hornsby Council of \$10.4 million.

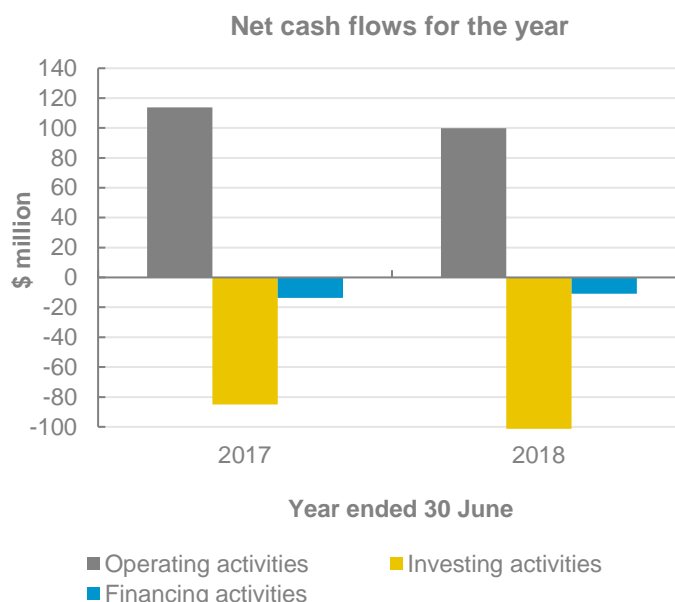
STATEMENT OF CASH FLOWS

The Council's cash and cash equivalents balance at 30 June 2018 was \$17.4 million. The net cash flow for the year was a decrease of \$15 million.

The decrease in cashflow from operating activities was mainly due to the lower grants and contributions revenue.

The increase in cash outflow from investing activities is a result from purchase of investment securities, partly offset by sale of IPPE and investment securities.

The council also repaid \$10.8 million borrowings during the year.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	165.9	115.3	<ul style="list-style-type: none"> Externally restricted cash and investments is mainly comprised of developer contributions, specific purpose unexpended grants and domestic waste management funds.
Internal restrictions	104.4	54.4	
Unrestricted	66.3	55.3	
Cash and investments	336.5	225	<ul style="list-style-type: none"> Internally restricted cash and investments are restricted due to Council policy or decisions for forward plans including works program. Restricted funds comprised of funds set aside for property and significant assets reserve (\$93.9 million), employee leave entitlements (\$5.5 million), ward works (\$3.0 million) asset renewal reserve (\$0.7 million) and other (\$1.3 million). Property and significant asset reserves represent the funds accumulated from the sale of property, such as Parramatta Square development sites. Unrestricted cash and investments provide liquidity for day-to-day operations.

Debt

The Council had borrowings of \$48.5 million at 30 June 2018. Council continued to repay its loan during the period (\$10.8 million). As at reporting date, the Council had a current borrowing of \$9 million.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

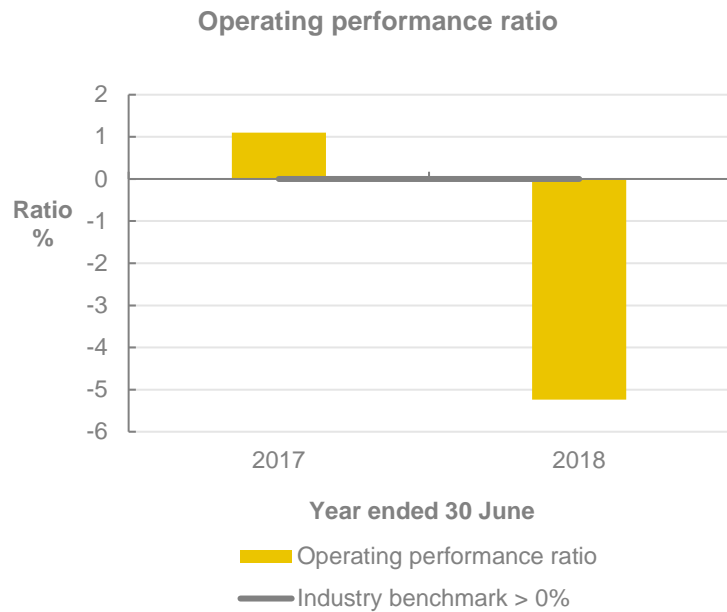
Operating performance ratio

Council's operating performance ratio for the period was negative 5.2 per cent, which was below the industry benchmark of zero per cent.

The ratio was impacted by lower operating grants and contributions revenue and significant one-off operating expenditures including:

- an impairment of Section 7.11 funds receivable from Hornsby Council \$10.4 million
- LED Street Lighting upgrade \$1.4 million
- Light Rail project studies \$1.3 million
- Parramatta Square development costs expensed of \$3 million.

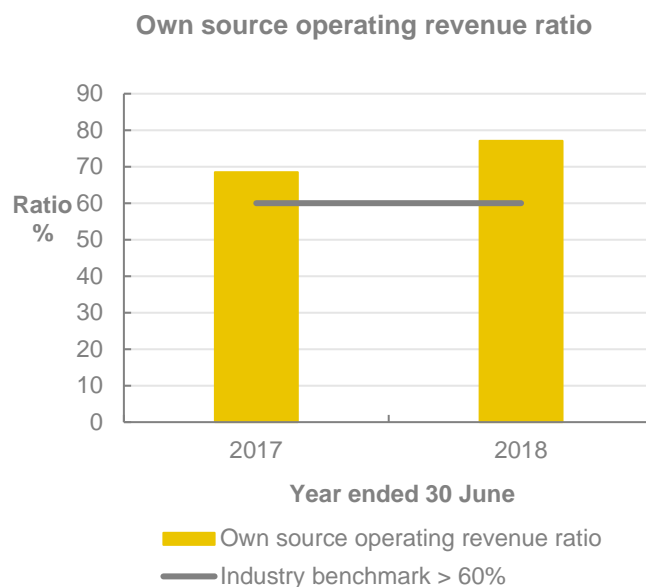
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

Council's own source operating revenue ratio of 77.1 per cent reflected a low level of reliance on externally sourced revenue. This was contributed by increased rates and annual charges of \$171.1 million and fees and charges of \$35.4 million. The ratio in the current period exceeded the OLG benchmark of greater than 60 per cent, an improvement of 9 per cent compared to the prior year.

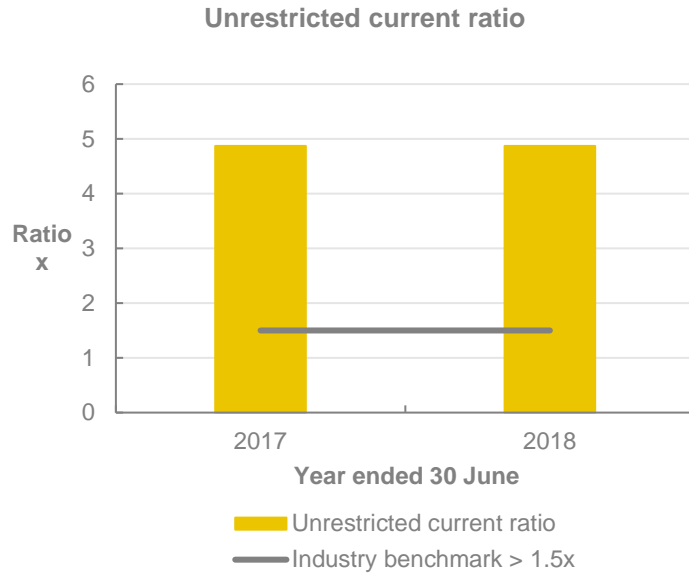
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

This ratio indicated that Council currently had \$4.9 of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark and is consistent with prior year.

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

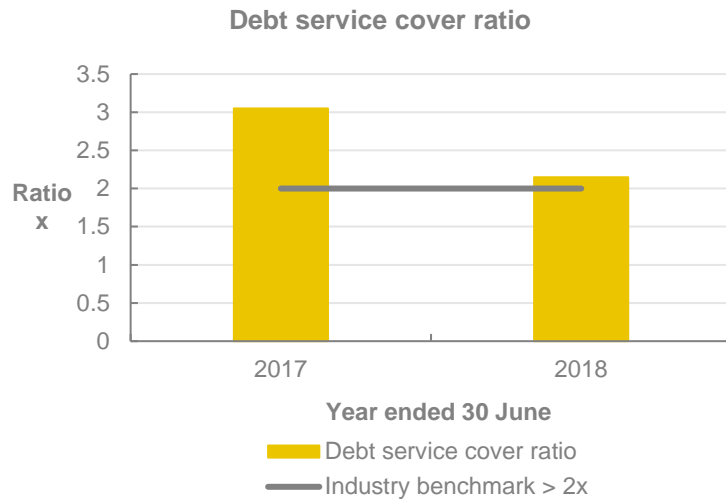


Debt service cover ratio

Council's debt service cover ratio of 2.2 was above the industry benchmark of 2.0.

The ratio slightly decreased compared to prior year due to lower operating results before capital, but it remains above the benchmark. The Council did not acquire any new debt in 2017–18.

The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

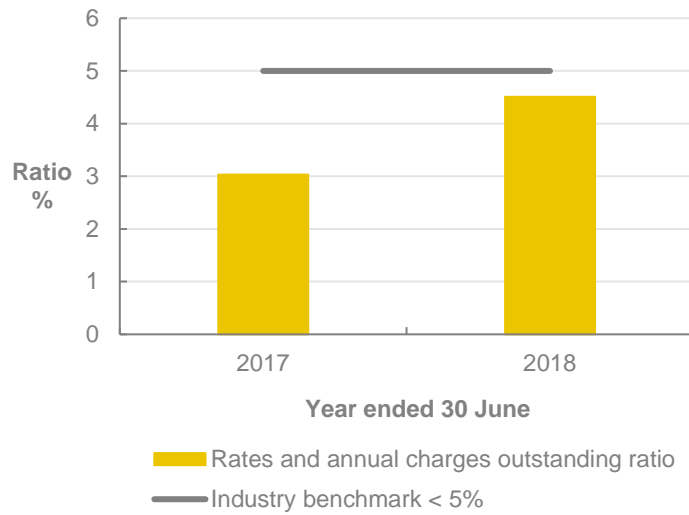
Council's outstanding rates and charges ratio of 4.5 per cent was within the industry benchmark of less than five per cent.

It proved the Council's effective rate recovery measures in collecting and reducing outstanding rates.

The ratio deteriorated compared to prior year mainly due to the Council not pursuing any debtors associated with the post-amalgamation areas. The Council was in the process of resolving data integrity issues.

The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than five per cent for metro councils.

Rates and annual charges outstanding ratio

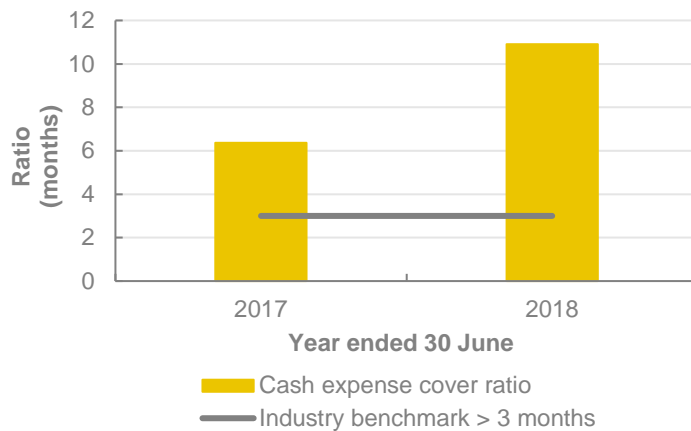


Cash expense cover ratio

Council's cash expense ratio of 10.9 months well exceeded the benchmark of greater than three months. The improvement was attributable by the significant cash reserves acquired from the sale of Parramatta Square assets. Council received sale proceeds of \$77 million in 2017-18 from the sale of land in Parramatta Square.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

Cash expense cover ratio



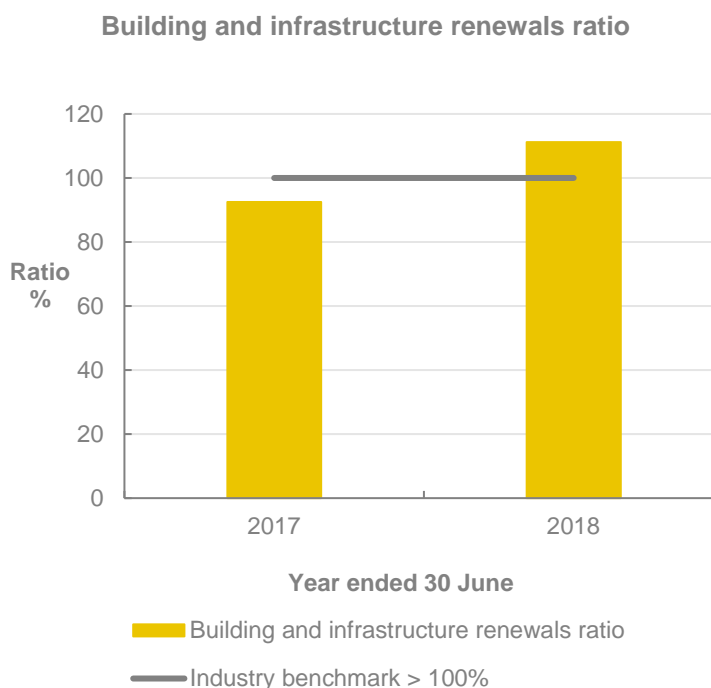
Building and infrastructure renewals ratio (unaudited)

Council's building and infrastructure renewals ratio of 115.3 per cent exceeded the industry benchmark of greater than 100 per cent. This indicated the Council's infrastructure renewal program had sufficiently renewed assets at a greater rate than they were depreciating.

The Council ensures it matches the required expenditure for asset renewals with the actual condition assessment of the assets through its asset management program.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



OTHER MATTERS New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or after 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public-sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

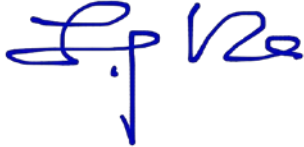
This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12.

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Weini Liao
Director, Financial Audit Services

cc: Sue Coleman, Acting Chief Executive
Andrew Wilson, Lord Mayor
Colin Gellatly, Chair of Audit and Risk Committee
Tim Hurst, Chief Executive of the Office of Local Government



CITY OF PARRAMATTA COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2018



CITY OF
PARRAMATTA

City Of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Background

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

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

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

City Of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



Andrew Wilson
Lord Mayor
29 October 2018



Michelle Garrard
Deputy Lord Mayor
29 October 2018



Sue Coleman
Acting Chief Executive Officer
29 October 2018



Alistair Cochrane
Responsible Accounting Officer
29 October 2018

City Of Parramatta Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Car park operations		Leasing of Council property	
	Category 1		Category 1	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Income from continuing operations				
User charges	12,517	14,427	–	–
Rental revenue	–	–	392	1,098
Total income from continuing operations	12,517	14,427	392	1,098
Expenses from continuing operations				
Employee benefits and on-costs	158	143	356	276
Materials and contracts	1,680	1,932	109	288
Depreciation, amortisation and impairment	1,137	1,043	163	232
Calculated taxation equivalents	3,506	2,910	712	2,909
Other expenses	2,001	2,047	283	647
Total expenses from continuing operations	8,482	8,075	1,623	4,352
Surplus (deficit) from continuing operations before capital amounts	4,035	6,352	(1,231)	(3,254)
Surplus (deficit) from all operations before tax	4,035	6,352	(1,231)	(3,254)
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,211)	(1,906)	–	–
SURPLUS (DEFICIT) AFTER TAX	2,825	4,446	(1,231)	(3,254)
Plus opening retained profits	219,046	–	45,122	–
Plus assets and liabilities transferred from former councils	–	209,784	–	45,467
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	3,506	2,910	712	2,909
– Corporate taxation equivalent	1,211	1,906	–	–
Closing retained profits	226,587	219,046	44,603	45,122
Return on capital %	1.7%	3.3%	-3.0%	-7.3%
Subsidy from Council	2,150	–	2,308	6,898

City Of Parramatta Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Car park operations		Leasing of Council property	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	37,623	28,945	–	–
Receivables - due from general fund	–	–	274	415
Total Current Assets	37,623	28,945	274	415
Non-current assets				
Receivables - due from general fund	–	–	3,472	–
Infrastructure, property, plant and equipment	235,185	193,289	40,945	44,780
Total non-current assets	235,185	193,289	44,417	44,780
TOTAL ASSETS	272,808	222,234	44,691	45,195
LIABILITIES				
Current liabilities				
Payables-due to general fund	46,176	3,150	–	–
Provisions	45	38	47	49
Total current liabilities	46,221	3,188	47	49
Non-current liabilities				
Provisions	–	–	41	24
Total non-current liabilities	–	–	41	24
TOTAL LIABILITIES	46,221	3,188	88	73
NET ASSETS	226,587	219,046	44,603	45,122
EQUITY				
Accumulated surplus	226,587	219,046	44,603	45,122
TOTAL EQUITY	226,587	219,046	44,603	45,122

City Of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6

City Of Parramatta Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for 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 and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Car Park Operations and Leasing of Council Property

To generate income for the Council through the leasing of Council-owned shops, housing and the operations of car parking facilities.

City Of Parramatta Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Category 2

(where gross operating turnover is less than \$2 million)

None

Monetary amounts

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations 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 Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

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

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

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

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

City Of Parramatta Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Local government rates and charges

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

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

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial report
City of Parramatta Council

To the Councillors of the City of Parramatta Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of City of Parramatta Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- car park operations
- leasing of Council property.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY



CITY OF PARRAMATTA COUNCIL
Special Schedules
for the year ended 30 June 2018



**CITY OF
PARRAMATTA**



City Of Parramatta Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

City Of Parramatta Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,674	–	–	(3,674)
Administration	102,264	4,720	21,167	(76,377)
Public order and safety				
Enforcement of local government regulations	5,366	12,640	–	7,274
Other	2,579	–	–	(2,579)
Total public order and safety	7,945	12,640	–	4,695
Health	1,215	1,110	–	(105)
Environment				
Other environmental protection	5,365	2,161	1,417	(1,787)
Solid waste management	26,729	32,119	–	5,390
Street cleaning	6,807	48	–	(6,759)
Drainage	5,069	458	458	(4,153)
Stormwater management	29	–	–	(29)
Total environment	43,999	34,786	1,875	(7,338)
Community services and education				
Administration and education	3,471	215	781	(2,475)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	2,483	1,343	–	(1,140)
Children's services	4,818	5,037	–	219
Total community services and education	10,772	6,595	781	(3,396)
Housing and community amenities				
Public conveniences	347	–	–	(347)
Street lighting	3,824	860	–	(2,964)
Town planning	4,948	1,073	2,046	(1,829)
Total housing and community amenities	9,119	1,933	2,046	(5,140)

City Of Parramatta Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	8,406	733	95	(7,578)
Community centres and halls	480	7	2,034	1,561
Performing arts venues	6,730	3,656	–	(3,074)
Other cultural services	3,486	207	1,130	(2,149)
Sporting grounds and venues	1,246	7	1,619	380
Swimming pools	2,795	430	941	(1,424)
Parks and gardens (lakes)	12,523	515	8,769	(3,239)
Other sport and recreation	851	987	–	136
Total recreation and culture	36,517	6,542	14,588	(15,387)
Mining, manufacturing and construction				
Building control	10,137	5,385	–	(4,752)
Total mining, manufacturing and const.	10,137	5,385	–	(4,752)
Transport and communication				
Urban roads (UR) – local	24,037	4,061	4,090	(15,886)
Parking areas	3,846	12,518	188	8,860
Footpaths	2,790	25	1,382	(1,383)
Other transport and communication	991	883	–	(108)
Total transport and communication	31,664	17,487	5,660	(8,517)
Economic affairs				
Other economic affairs	4,997	1,021	–	(3,976)
Total economic affairs	4,997	1,021	–	(3,976)
Totals – functions	262,303	92,219	46,117	(123,967)
General purpose revenues ⁽¹⁾		158,734		158,734
Share of interests – joint ventures and associates using the equity method	–	866		866
NET OPERATING RESULT ⁽²⁾	262,303	251,818	46,117	35,632

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

City Of Parramatta Council

Special Schedule 2 – Permissible income for general rates
for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2018/19	2018/19	2018/19	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18	2017/18
		Former Parramatta City Council	Former Auburn Council	Former Holroyd Council	Altered Hills Shire Council	Altered Hornsby Shire Council	City Of Parramatta Council	Former Parramatta City Council	Former Auburn Council	Former Holroyd Council	Altered Hills Shire Council	Altered Hornsby Shire Council	City Of Parramatta Council	
Notional general income calculation ⁽¹⁾														
Last year notional general income yield	a	98,482	13,608	1,349	11,131	10,449	135,019	96,970	13,856	1,306	10,596	10,053	132,781	
Plus or minus adjustments ⁽²⁾	b	1,486	821	–	95	608	3,010	152	(305)	3	145	241	236	
Notional general income	c = (a + b)	99,968	14,429	1,349	11,226	11,057	138,029	97,122	13,551	1,309	10,741	10,294	133,017	
Permissible income calculation														
Special variation percentage ⁽³⁾	d	0.00%	0.00%	7.00%	0.00%	0.00%		0.00%	0.00%	7.00%	0.00%	0.00%		
Or rate peg percentage	e	2.30%	2.30%	2.50%	2.30%	2.30%		1.50%	1.50%	1.50%	1.50%	1.50%		
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	0.00%		
Less expiring special variation amount	g	–	–	–	–	–	–	–	–	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	94	–	–	94	–	–	92	–	–	92	
Or plus rate peg amount	i = c x e	2,299	332	–	258	254	3,144	1,457	203	–	161	154	1,976	
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	k = (c + g + h + i + j)	102,267	14,761	1,443	11,484	11,311	141,267	98,579	13,754	1,401	10,902	10,448	135,084	
Plus (or minus) last year's carry forward total	l	96	160	51	(231)	(15)	61	(1)	14	(1)	(2)	(14)	(4)	
Less valuation objections claimed in the previous year	m	–	–	–	–	–	–	–	–	–	–	–	–	
Sub-total	n = (l + m)	96	160	51	(231)	(15)	61	(1)	14	(1)	(2)	(14)	(4)	
Total permissible income	o = k + n	102,363	14,921	1,494	11,253	11,297	141,328	98,578	13,768	1,400	10,900	10,434	135,080	
Less notional general income yield	p	102,260	14,760	1,443	11,473	11,311	141,247	98,482	13,608	1,349	11,131	10,449	135,019	
Catch-up or (excess) result	q = o – p	103	161	51	(220)	(14)	81	96	160	51	(231)	(15)	61	
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–	–	–	–	–	–	–	–	–	
Less unused catch-up ⁽⁵⁾	s	–	–	–	–	–	–	–	–	–	–	–	–	
Carry forward to next year	t = q + r – s	103	161	51	(220)	(14)	81	96	160	51	(231)	(15)	61	

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a return (FDR) to administer this process.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

City of Parramatta Council

To the Councillors of City of Parramatta Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of City of Parramatta Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Weini Liao
Director, Financial Audit Services

30 October 2018
SYDNEY

City Of Parramatta Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	426	1,390	12,406	12,606	193,225	228,305	43%	42%	15%	0%	0%
	Sub-total	426	1,390	12,406	12,606	193,225	228,305	43.0%	42.0%	15.0%	0.0%	0.0%
Other structures	Other structures	–	–	–	–	11,894	20,414	64%	26%	10%	0%	0%
	Sub-total	–	–	–	–	11,894	20,414	64.0%	26.0%	10.0%	0.0%	0.0%
Roads	Roads (including street furniture, kerb and gutter and traffic management devices)	9,502	27,814	11,728	11,353	895,056	1,165,040	45%	28%	24%	2%	1%
	Bridges	63	135	747	573	70,858	100,747	18%	78%	4%	0%	0%
	Footpaths	642	1,807	7,170	6,136	126,544	171,266	29%	48%	22%	1%	0%
	Bulk earthworks	–	–	–	–	102,338	102,338	100%	0%	0%	0%	0%
	Sub-total	10,207	29,756	19,645	18,062	1,194,796	1,539,391	45.1%	31.6%	20.9%	1.6%	0.8%

City Of Parramatta Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	20,956	47,872	3,584	3,141	224,789	364,741	14%	44%	29%	3%	10%
	Sub-total	20,956	47,872	3,584	3,141	224,789	364,741	14.0%	44.0%	29.0%	3.0%	10.0%
Open space/recreational assets	Swimming pools	–	–	–	–	989	1,378	0%	100%	0%	0%	0%
	Other open space assets	688	2,386	15,301	14,986	59,924	86,730	60%	11%	27%	2%	0%
	Sub-total	688	2,386	15,301	14,986	60,913	88,108	58.9%	12.7%	26.5%	2.0%	0.0%
TOTAL – ALL ASSETS		32,277	81,404	50,936	48,795	1,685,617	2,240,959	40.4%	34.0%	21.7%	1.7%	2.2%

Notes:

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

Infrastructure asset condition assessment 'key'

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

City Of Parramatta Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>35,833</u>	111.19%	92.46%	>= 100%
Depreciation, amortisation and impairment	<u>32,227</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>32,277</u>	1.91%	2.49%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,685,617</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>48,795</u>	95.80%	103.59%	> 100%
Required asset maintenance	<u>50,936</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>81,404</u>	3.63%	4.33%	
Gross replacement cost	<u>2,240,959</u>			

Notes

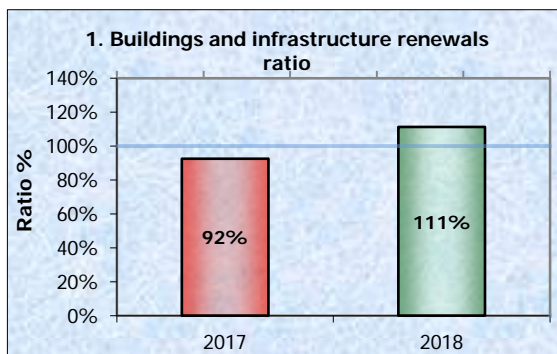
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

City Of Parramatta Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

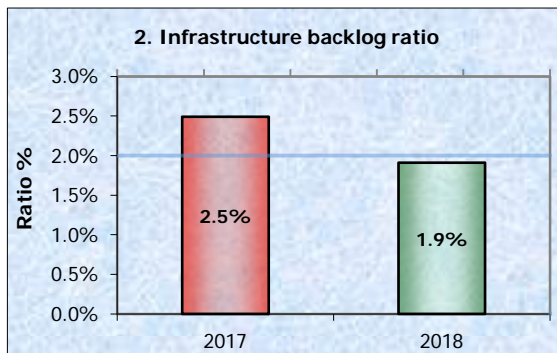
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 111.19%

The renewals ratio has improved significantly in 2018 and is now exceeding the required benchmark. This result indicates that council is adequately renewing its existing assets.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

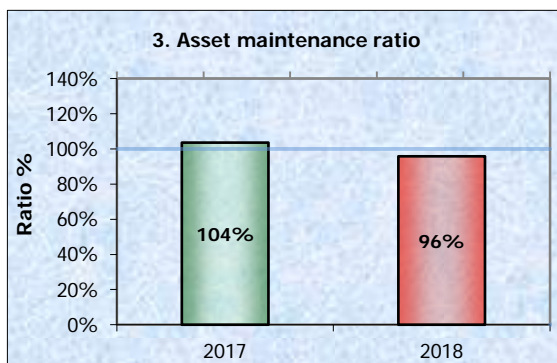
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 1.91%

Council's renewal ratio has improved significantly and is now below the maximum benchmark. This is due to a reduction in the percentage of poor and very poor condition assets across asset classes.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

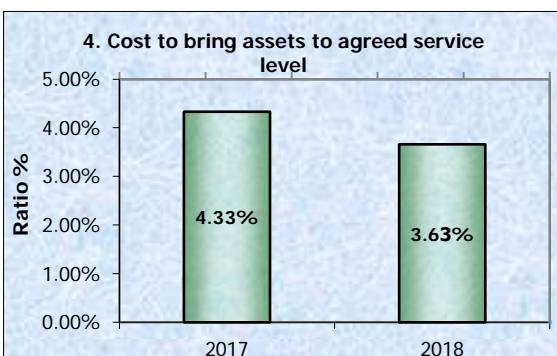
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 95.80%

Council's maintenance ratio has decreased slightly from the prior year and indicates that council needs to invest further in maintenance.

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result

2017/18 Ratio 3.63%

The estimated cost to bring assets to an agreed service level as set by Council has reduced due to a reduction of assets in poor and very poor condition classes.