



City Of Parramatta Council

# General Purpose Financial Statements

for the year ended 30 June 2019



**CITY OF  
PARRAMATTA**

## General Purpose Financial Statements

for the year ended 30 June 2019

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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: [www.parracity.nsw.gov.au](http://www.parracity.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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.

## General Purpose Financial Statements

for the year ended 30 June 2019

Statement by Councillors and Management made pursuant to Section 413(2)(c) 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 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 28 October 2019.




Bob Dwyer  
Lord Mayor  
28 October 2019



Michelle Garrard  
Deputy Lord Mayor  
28 October 2019



Brett Newman  
Chief Executive Officer  
28 October 2019



Alistair Cochrane  
Responsible Accounting Officer  
28 October 2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Income from continuing operations</b>				
<u>Revenue:</u>				
177,621	Rates and annual charges	3a	180,547	172,101
39,805	User charges and fees	3b	39,126	37,819
8,735	Interest and investment revenue	3c	13,564	8,992
15,795	Other revenues	3d	14,051	12,759
19,101	Grants and contributions provided for operating purposes	3e,3f	18,651	18,321
103,342	Grants and contributions provided for capital purposes	3e,3f	55,759	46,117
<u>Other income:</u>				
—	Net gains from the disposal of assets	5	45,553	960
—	Net share of interests in joint ventures and associates using the equity method	15	508	866
364,399	<b>Total income from continuing operations</b>		367,759	297,935
<b>Expenses from continuing operations</b>				
114,459	Employee benefits and on-costs	4a	117,563	104,235
2,264	Borrowing costs	4b	2,269	2,814
57,031	Materials and contracts	4c	62,312	60,539
42,039	Depreciation and amortisation	4d	42,116	39,492
43,331	Other expenses	4e	49,322	55,112
—	Revaluation decrement / impairment of IPP&E	4d	7,413	111
259,124	<b>Total expenses from continuing operations</b>		280,995	262,303
105,275	<b>Net operating result for the year</b>		86,764	35,632
1,933	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		31,005	(10,485)

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

## Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 <sup>1</sup>
<b>Net operating result for the year (as per Income Statement)</b>		<b>86,764</b>	<b>35,632</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	51,290	71,735
Adjustment to community land revaluation reserve for asbestos contamination		(6,201)	(1,651)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>45,089</b>	<b>70,084</b>
<b>Total other comprehensive income for the period</b>		<b>45,089</b>	<b>70,084</b>
<b>Total comprehensive income for the year</b>		<b>131,853</b>	<b>105,716</b>

(<sup>1</sup>) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

# Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	55,888	17,446
Investments	6(b)	126,996	133,355
Receivables	7	117,821	26,031
Inventories		92	82
Prepayments		1,077	241
Current assets classified as 'held for sale'	8i	97,430	122,230
<b>Total current assets</b>		<b>399,304</b>	<b>299,385</b>
<b>Non-current assets</b>			
Investments	6(b)	246,504	185,701
Receivables	7	38,511	23,652
Infrastructure, property, plant and equipment	9	2,521,307	2,575,254
Intangible assets	10	2,495	2,268
Investments accounted for using the equity method	15	6,656	6,148
<b>Total non-current assets</b>		<b>2,815,473</b>	<b>2,793,023</b>
<b>TOTAL ASSETS</b>		<b>3,214,777</b>	<b>3,092,408</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	35,065	32,144
Income received in advance	11	4,395	13,246
Borrowings	11	8,748	9,035
Provisions	12	36,140	30,644
<b>Total current liabilities</b>		<b>84,348</b>	<b>85,069</b>
<b>Non-current liabilities</b>			
Payables	11	597	738
Borrowings	11	30,668	39,416
Provisions	12	3,737	3,611
<b>Total non-current liabilities</b>		<b>35,002</b>	<b>43,765</b>
<b>TOTAL LIABILITIES</b>		<b>119,350</b>	<b>128,834</b>
<b>Net assets</b>		<b>3,095,427</b>	<b>2,963,574</b>
<b>EQUITY</b>			
Accumulated surplus	13a	2,980,380	2,893,490
Revaluation reserves	13a	115,047	70,084
<b>Council equity interest</b>		<b>3,095,427</b>	<b>2,963,574</b>
<b>Total equity</b>		<b>3,095,427</b>	<b>2,963,574</b>

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

## Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		2,893,490	70,084	2,963,574	2,857,858	–	2,857,858
Net operating result for the year		86,764	–	86,764	35,632	–	35,632
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	51,290	51,290	–	71,735	71,735
– Adjustment to community land revaluation reserve for asbestos contamination		–	(6,201)	(6,201)	–	(1,651)	(1,651)
<b>Other comprehensive income</b>		<b>–</b>	<b>45,089</b>	<b>45,089</b>	<b>–</b>	<b>70,084</b>	<b>70,084</b>
<b>Total comprehensive income</b>		<b>86,764</b>	<b>45,089</b>	<b>131,853</b>	<b>35,632</b>	<b>70,084</b>	<b>105,716</b>
Transfers between equity items /Revaluation of assets classified as asset held for sale		126	(126)	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>2,980,380</b>	<b>115,047</b>	<b>3,095,427</b>	<b>2,893,490</b>	<b>70,084</b>	<b>2,963,574</b>

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



## Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
<b>Cash flows from operating activities</b>				
<u>Receipts</u>				
177,622	Rates and annual charges		185,899	197,682
37,647	User charges and fees		43,659	37,969
8,735	Investment and interest revenue received		10,331	7,500
124,613	Grants and contributions		78,017	80,265
–	Bonds, deposits and retention amounts received		2,824	7,949
15,795	Other		40,966	22,878
<u>Payments</u>				
(114,793)	Employee benefits and on-costs		(115,614)	(101,122)
(59,451)	Materials and contracts		(68,471)	(90,028)
(2,264)	Borrowing costs		(2,824)	(2,863)
–	Bonds, deposits and retention amounts refunded		(2,945)	(5,432)
(43,364)	Other		(74,416)	(54,930)
144,540	<b>Net cash provided (or used in) operating activities</b>	14b	97,426	99,868
<b>Cash flows from investing activities</b>				
<u>Receipts</u>				
6,036	Sale of investment securities		251,991	290,485
46,400	Sale of infrastructure, property, plant and equipment		84,087	88,109
<u>Payments</u>				
–	Purchase of investment securities		(304,319)	(416,146)
(187,941)	Purchase of infrastructure, property, plant and equipment		(80,605)	(66,960)
–	Purchase of intangible assets		(1,103)	–
–	Contributions paid to joint ventures and associates		–	466
(135,505)	<b>Net cash provided (or used in) investing activities</b>		(49,949)	(104,046)
<b>Cash flows from financing activities</b>				
<u>Payments</u>				
(9,035)	Repayment of borrowings and advances		(9,035)	(10,806)
(9,035)	<b>Net cash flow provided (used in) financing activities</b>		(9,035)	(10,806)
–	<b>Net increase/(decrease) in cash and cash equivalents</b>		38,442	(14,984)
10,000	Plus: cash and cash equivalents – beginning of year	14a	17,446	32,430
10,000	<b>Cash and cash equivalents – end of the year</b>	14a	55,888	17,446
Additional Information:				
10,000	plus: Investments on hand – end of year	6(b)	373,500	319,056
20,000	<b>Total cash, cash equivalents and investments</b>		429,388	336,502

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

## Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 09/10/2019. 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.

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

During the year, Council adopted all standards which were mandatory effective for the first time at 30 June 2019. The standards which had an impact on reported position, performance or disclosure have been discussed in Note 13.

#### (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.

#### (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.

#### 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 9
- (ii) employee benefit provisions – refer Note 12.
- (iii) asbestos removal provision – refer Note 12.

#### Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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#### 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

#### 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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

#### New accounting standards and interpretations issued not yet effective

##### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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

If the transaction does not enable council to acquire or construct a recognisable nonfinancial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

#### Rates revenue

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

#### General purpose grants

Revenue from general purpose grants without performance obligations are recognised in the period when cash is received by Council. No changes from the adoption.

#### Capital and Special Purpose grants

If grant agreement includes specific and legally enforceable obligations, Council recognises a liability when financial asset (cash) is received. Income is recognised throughout the year as obligations are satisfied from reduction of associated liability. The impact from implication of the new standard is immaterial.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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.

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.

This will result in:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet. It is estimated that based on current lease agreements \$29.2 mil right of use asset and \$29.2 mil lease liability will be recognised by Council on 1 July 2019.
- a reduction in reported equity as the carrying amount of lease assets will reduce at a faster rate than the carrying amount of lease liabilities. During the first year of the application, it was estimated that lease liability will decrease by \$4.8 mil while right of use asset will decrease by \$5.1 mil. 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.

#### **Effective for annual reporting periods beginning on or after 1 July 2020**

*AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

*AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*

*AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*

The amendments address and acknowledged inconsistency between the requirements in AASB10, and those in AASB128 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

AASB2015-10 has delayed the effective date of this standard.

AASB 2017-5 defers the effective date of AASB 2014-10 to 1 January 2022

## Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.  
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>Functions or activities</b>										
Corporate Services	208,853	159,192	88,987	71,574	119,866	87,618	24,983	9,222	607,932	407,820
City Engagement and Experience	738	689	20,432	17,805	(19,694)	(17,116)	203	100	2,535	2,878
Executive Office	8	7	4,077	3,324	(4,069)	(3,317)	–	–	6,788	4,373
Property Development Group	21,715	489	4,617	5,841	17,098	(5,352)	616	–	97,430	122,230
City Assets and Operations	78,042	85,039	105,940	106,451	(27,898)	(21,412)	5,123	8,828	2,039,249	2,097,332
Community Services	16,248	12,497	30,647	29,150	(14,399)	(16,653)	2,132	1,955	451,196	448,131
City Strategy and Development	42,155	40,022	26,295	28,158	15,860	11,864	7,550	1,589	9,647	9,644
<b>Total functions and activities</b>	<b>367,759</b>	<b>297,935</b>	<b>280,995</b>	<b>262,303</b>	<b>86,764</b>	<b>35,632</b>	<b>40,607</b>	<b>21,694</b>	<b>3,214,777</b>	<b>3,092,408</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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

#### Corporate Services

- Corporate Administration
- Project Management Office
- ICT - Information Communication & Technology
- Human Resources
- Governance and Risk
- Legal Services
- Head of Security
- Finance

#### City Engagement and Experience

- Customer Office
- City Experience
- City Experience and Engagement Administration
- City Identity
- City Engagement

#### Executive Office

- Executive Support Office
- General Management Support

#### Property Development Group

- Civic Place Precinct Redevelopment
- Property Development Group Administration
- Property Development Group Projects

#### City Assets and Operations

- Property Assets and Services
- City Services Administration
- City Operations
- City Assets & Environment
- Regulatory Services Unit
- Place

#### Community Services

- Riverside Theatres
- Social and Community Services
- Cultural Strategy
- Community Services Administration

#### City Strategy and Development

- City Economy
- Development & Traffic Services
- City Strategy
- Future City Unit
- Outcomes & Development Administration



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

\$ '000	2019	2018
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	81,876	77,603
Business	54,275	53,377
Less: pensioner rebates (mandatory)	(1,334)	(1,241)
Less: pensioner rebates (Council policy)	(448)	(458)
<b>Rates levied to ratepayers</b>	<b>134,369</b>	<b>129,281</b>
Pensioner rate subsidies received	863	785
<b>Total ordinary rates</b>	<b>135,232</b>	<b>130,066</b>
<b>Special rates</b>		
Open space	2,260	2,200
CBD infrastructure	2,093	2,024
Suburban infrastructure	1,713	1,667
Economic development	764	745
Other	688	665
<b>Rates levied to ratepayers</b>	<b>7,518</b>	<b>7,301</b>
<b>Total special rates</b>	<b>7,518</b>	<b>7,301</b>
<b>Annual charges</b>		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	35,117	32,087
Other	3,082	3,049
Less: pensioner rebates (mandatory)	(517)	(501)
Less: pensioner rebates (Council policy)	(173)	(163)
<b>Annual charges levied</b>	<b>37,509</b>	<b>34,472</b>
Pensioner subsidies received:		
– Domestic waste management	288	262
<b>Total annual charges</b>	<b>37,797</b>	<b>34,734</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>180,547</b>	<b>172,101</b>

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates. 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
<b>(b) User charges and fees</b>		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	3,439	4,531
Construction zone fee	1,263	654
Road opening permits	995	1,667
Hoarding fees	886	293
Food premises licence	670	656
Road occupancy fees	494	201
Section 10.7 certificates (EP&A Act)	445	494
Development advertising fee	376	337
Annual fire safety statement fee	347	276
Section 603 certificates	280	311
Subdivision release fee	243	348
Tower crane application fees	217	215
Vehicle crossing inspection fees	200	195
Section 611 charges	170	159
Other	1,059	934
<b>Total fees and charges – statutory/regulatory</b>	<b>11,084</b>	<b>11,271</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Multi-level parking stations	12,856	12,518
Child care	5,266	5,007
Parking meters	4,963	4,459
Parramatta Riverside Theatre	2,779	2,934
Halls	–	1
Pools	–	1
Library incl. photocopy	–	1
Other	2,178	1,627
<b>Total fees and charges – other</b>	<b>28,042</b>	<b>26,548</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>39,126</b>	<b>37,819</b>

**Accounting policy for user charges and fees**

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

**(c) Interest and investment revenue (including losses)**

<b>Interest on financial assets measured at amortised cost</b>		
– Cash and investments	10,854	7,690
– Overdue rates and annual charges (incl. special purpose rates)	592	437
<b>Fair value adjustments</b>		
– Movements in investments at fair value through profit and loss	2,118	865
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>13,564</b>	<b>8,992</b>

**Interest revenue is attributable to:****Unrestricted investments/financial assets:**

General Council cash and investments	7,407	4,709
Overdue rates and annual charges (general fund)	498	437

**Restricted investments/funds – external:**

Development contributions

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
– Sections 7.11 and 7.4	4,049	3,022
Domestic waste management operations	721	565
Restricted rates	311	259
Stronger Communities Fund	578	–
<b>Total interest and investment revenue</b>	<b>13,564</b>	<b>8,992</b>

**Accounting policy for interest and investment revenue**

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

## (d) Other revenues

Fines – parking	7,243	7,356
Rental income – other council properties	2,035	1,855
Parking meters recognised (previously expensed)	1,350	–
Rebates	516	265
Fines – other	483	951
Riverside Theatre bar and catering sales	382	349
Outdoor dining rentals	314	274
Insurance claims recoveries	308	166
Legal fees recovery – rates and charges (extra charges)	226	179
Sales – general	171	391
Other	1,023	973
<b>TOTAL OTHER REVENUE</b>	<b>14,051</b>	<b>12,759</b>

**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 specific 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 revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	3,557	3,626	–	–
Financial assistance – local roads component	1,019	971	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	3,687	3,804	–	–
Financial assistance – local roads component	1,058	966	–	–
<b>Total general purpose</b>	<b>9,321</b>	<b>9,367</b>	<b>–</b>	<b>–</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>Specific purpose</b>				
Operating Grants - NSW Government	920	103	—	—
Home support	946	944	—	—
Street lighting	905	807	—	—
Transport (other roads and bridges funding)	718	72	1,676	1,672
Transport (roads to recovery)	668	1,286	—	—
Library	563	575	—	—
Ministry of the arts	300	333	—	—
Waste services performance improvement payment	235	237	—	—
Community services	80	91	—	—
Other – cultural	23	—	—	—
Flood management	—	435	—	—
Stronger communities fund	—	—	16,050	—
Dept infrastructure planning and natural resources	—	—	7,349	243
Greenspace	—	—	223	5,047
Other	589	279	41	203
<b>Total specific purpose</b>	<b>5,947</b>	<b>5,162</b>	<b>25,339</b>	<b>7,165</b>
<b>Total grants</b>	<b>15,268</b>	<b>14,529</b>	<b>25,339</b>	<b>7,165</b>

## Grant revenue is attributable to:

– Commonwealth funding	9,343	9,480	861	1,371
– State funding	5,925	5,049	24,478	5,794
	<b>15,268</b>	<b>14,529</b>	<b>25,339</b>	<b>7,165</b>

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		—	—	—	1,660
S 7.11 – contributions towards amenities/services		—	—	28,277	29,744
<b>Total developer contributions – cash</b>		<b>—</b>	<b>—</b>	<b>28,277</b>	<b>31,404</b>
<b>Non-cash contributions</b>					
S 7.4 – contributions using planning agreements		—	—	259	—
S 7.11 – contributions towards amenities/services		—	—	971	—
<b>Total developer contributions non-cash</b>		<b>—</b>	<b>—</b>	<b>1,230</b>	<b>—</b>
<b>Total developer contributions</b>	23	<b>—</b>	<b>—</b>	<b>29,507</b>	<b>31,404</b>

## Other contributions:

## Cash contributions

Leaseback fees	971	935	—	—
Road restoration contributions	600	826	750	300
LIRS subsidy	513	586	—	—
Other sponsorship received	228	127	—	—
Paid parental leave	203	133	—	—
Parramatta Catchment Group contributions	192	393	—	—

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
Salary sacrifice motor vehicle contributions		185	213	—	—
National disability contribution		182	134	—	—
Long service leave contributions		80	215	—	—
Parks and sporting grounds		—	—	97	6,614
Affordable Housing contribution		—	—	—	386
Other		229	230	66	248
<b>Total other contributions – cash</b>		<b>3,383</b>	<b>3,792</b>	<b>913</b>	<b>7,548</b>
<b>Total contributions</b>		<b>3,383</b>	<b>3,792</b>	<b>30,420</b>	<b>38,952</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>18,651</b>	<b>18,321</b>	<b>55,759</b>	<b>46,117</b>

**Accounting policy for grants and 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.

NSW Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While NSW Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
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## (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	4,703	6,618
Add: Operating grants recognised as income in the current period but not yet spent	697	615
<b>Add:</b> operating grants received for the provision of goods and services in a future period	–	–
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(2,255)	(2,530)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>3,145</b>	<b>4,703</b>

**Capital grants**

Unexpended at the close of the previous reporting period	18,849	16,605
<b>Add:</b> capital grants recognised in the current period but not yet spent	–	–
<b>Add:</b> capital grants received for the provision of goods and services in a future period	23,260	5,000
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(6,000)	(2,756)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>36,109</b>	<b>18,849</b>

**Contributions**

Unexpended at the close of the previous reporting period	118,285	88,647
<b>Add:</b> contributions recognised in the current period but not yet spent	–	–
<b>Add:</b> contributions received for the provision of goods and services in a future period	32,326	34,426
<b>Add:</b> contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
<b>Less:</b> contributions recognised in a previous reporting period now spent	(16,480)	(4,788)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>134,131</b>	<b>118,285</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

\$ '000	2019	2018
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	89,281	82,234
Employee termination costs	2,049	–
Employee leave entitlements (ELE)	11,976	8,678
Superannuation	9,533	8,896
Agency personnel	5,296	4,409
Other	3,995	3,400
<b>Total employee costs</b>	<b>122,130</b>	<b>107,617</b>
Less: capitalised costs	(4,567)	(3,382)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>117,563</b>	<b>104,235</b>

**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, 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 12 for more information.

**(b) Borrowing costs**

Interest on loans	2,269	2,814
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,269</b>	<b>2,814</b>

**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.

\$ '000	2019	2018
<b>(c) Materials and contracts</b>		
Raw materials and consumables	7,166	6,290
– garbage external services	5,932	6,347
– consultancies	5,441	7,103
– minor contracts	3,778	2,670
– cleaning external services	3,702	3,068
– recycling external services	3,641	3,165
– bushland management	2,901	2,342
– contractor and consultancy costs	2,669	2,175
– ICT software maintenance	2,425	414
– professional services	2,251	1,701

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
– security external services	1,794	1,623
– multi-level car parks	1,628	1,651
– external plant and equipment hire	1,310	837
– public tree maintenance	725	331
– contaminated waste removal external services	711	92
– sustainability and waste	679	431
– restorations	528	559
– electrical external services	496	454
– footpath maintenance	480	998
– plant repairs	451	411
– pools repairs	78	1,328
Auditors remuneration <sup>2</sup>	215	245
<b>Legal expenses:</b>		
– Legal expenses: planning and development	464	–
– Legal expenses: other	2,217	4,540
<b>Operating leases:</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	5,969	5,724
Other	4,661	6,040
<b>Total materials and contracts</b>	<b>62,312</b>	<b>60,539</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>62,312</b>	<b>60,539</b>

**Materials and Contracts**

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

**1. Operating lease payments are attributable to:**

Buildings	5,797	5,301
Computers	13	318
Other	159	105
	<b>5,969</b>	<b>5,724</b>

**Accounting policy for 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.

**2. Auditor remuneration****Auditors of the Council - NSW Auditor-General:****(i) Audit and other assurance services**

Audit and review of current year's financial statements	195	190
Overruns for auditing of prior year financial statements recognised in current year	20	55
<b>Total Auditor-General remuneration</b>	<b>215</b>	<b>245</b>



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,619	2,370
Office equipment		780	610
Furniture and fittings		2,061	1,672
Land improvements (depreciable)		485	637
<b>Infrastructure:</b>			
– Buildings – non-specialised		4,413	4,397
– Buildings – specialised		869	859
– Other structures		632	689
– Roads		17,848	17,660
– Bridges		1,135	1,119
– Footpaths		2,697	2,389
– Stormwater drainage		3,295	3,175
– Swimming pools		38	37
– Other open space/recreational assets		3,346	1,791
<b>Other assets:</b>			
– Heritage collections		–	(55)
– Library books		818	839
– Other		205	82
Intangible assets	10	875	1,221
<b>Total gross depreciation and amortisation costs</b>		<b>42,116</b>	<b>39,492</b>
<b>Total depreciation and amortisation costs</b>		<b>42,116</b>	<b>39,492</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
<b>Infrastructure:</b>			
– Buildings – non-specialised		–	111
– Buildings – specialised		7,413	–
<b>Total gross IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>7,413</b>	<b>111</b>
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals) charged to Income Statement</b>		<b>7,413</b>	<b>111</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>		<b>49,529</b>	<b>39,603</b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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 9 for IPPE assets and Note 10 for intangible assets. Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

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.

\$ '000	2019	2018
<b>(e) Other expenses</b>		
Tipping fees	16,150	15,306
Street lighting	3,946	4,877
Bad and doubtful debts	3,702	10,167
Contributions/levies to other levels of government		
– NSW fire brigade levy	3,573	2,571
– Department of planning levy	371	362
Insurance	2,066	1,924
Artists in mall and other artists	1,957	1,807
Computer expenses	1,832	2,799
Promotions and publicity	1,700	1,714
Parking space levy	1,681	1,788
Advertising	1,490	1,119
Electricity and heating	1,472	1,420
Parking – signs	1,084	1,029
Water	996	–
Telephone and communications	933	720
Bank charges	797	664
Donations, contributions and assistance to other organisations (Section 356)	726	957
Postage	705	–
Councillor expenses – councillors' fees	584	382
Memberships	409	–
Councillors' expenses (incl. mayor) – other (excluding fees above)	258	220
Councillor expenses – mayoral fee	23	82
Other	2,867	5,204
<b>Total other expenses</b>	<b>49,322</b>	<b>55,112</b>
<b>TOTAL OTHER EXPENSES</b>	<b>49,322</b>	<b>55,112</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 5. Gain or loss from the disposal of assets

\$ '000	Notes	2019	2018
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		181,304	–
Less: carrying amount of property assets sold/written off		(132,543)	–
<b>Net gain/(loss) on disposal</b>		<b>48,761</b>	<b>–</b>
<b>Plant and equipment</b>			
	9		
Proceeds from disposal – plant and equipment		1,237	1,585
Less: carrying amount of plant and equipment assets sold/written off		(832)	(1,035)
<b>Net gain/(loss) on disposal</b>		<b>405</b>	<b>550</b>
<b>Infrastructure</b>			
	9		
Less: carrying amount of infrastructure assets sold/written off		(3,613)	(59)
<b>Net gain/(loss) on disposal</b>		<b>(3,613)</b>	<b>(59)</b>
<b>Investments</b>			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		251,993	290,485
Less: carrying amount of investments sold/redeemed/matured		(251,993)	(290,485)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Non-current assets classified as ‘held for sale’</b>			
	8		
Proceeds from disposal – non-current assets ‘held for sale’		25,000	87,888
Less: carrying amount of ‘held for sale’ assets sold/written off		(25,000)	(87,419)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>469</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>45,553</b>	<b>960</b>

**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.

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	4,675	7,942
Cash-equivalent assets		
– Deposits at call	51,213	9,504
<b>Total cash and cash equivalents</b>	<b>55,888</b>	<b>17,446</b>

## 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.

## Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Investments</b>				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	39,996	106,674	24,152	71,292
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	87,000	139,830	109,203	114,409
<b>Total Investments</b>	<b>126,996</b>	<b>246,504</b>	<b>133,355</b>	<b>185,701</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>182,884</b>	<b>246,504</b>	<b>150,801</b>	<b>185,701</b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	30,967	–	24,152	–
NCD's, FRN's (with maturities > 3 months)	9,029	106,674	–	71,292
<b>Total</b>	<b>39,996</b>	<b>106,674</b>	<b>24,152</b>	<b>71,292</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	87,000	139,830	109,203	114,409
<b>Total</b>	<b>87,000</b>	<b>139,830</b>	<b>109,203</b>	<b>114,409</b>

## Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

## Financial Assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

## Classification

On initial recognition, NSW Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI–equity)

Financial assets are not reclassified subsequent to their initial recognition.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

#### *Amortised cost*

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NSW Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

#### *Financial assets through profit or loss*

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at FVTPL.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

NSW Council's financial assets measured at FVTPL comprise investments in FRNs and NCDs in the statement of financial position.

#### **Impairment of financial assets**

NSW 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.

#### *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 security below its cost is considered an indicator that the assets are impaired.

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

##### *Classification*

NSW Council classifies its investments in the following categories: financial assets at fair value through profit or loss; 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 the NSW Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

##### *(c) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

#### *Recognition and de-recognition*

Regular purchases and sales of investments are recognised on trade date: the date on which the NSW 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 de-recognised when the rights

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(b). Investments (continued)

to receive cash flows have expired or have been transferred, and the NSW 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.

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	182,884	246,504	150,801	185,701
<b>attributable to:</b>				
External restrictions	114	246,504	–	165,893
Internal restrictions	138,523	–	84,539	19,808
Unrestricted	44,247	–	66,262	–
	182,884	246,504	150,801	185,701

\$ '000	2019	2018
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## Details of restrictions

## External restrictions – other

Developer contributions – general	134,131	113,524
Museum of Applied Arts & Sciences Agreement	40,000	–
Specific purpose unexpended grants	38,736	23,552
Domestic waste management	22,194	18,303
CBD infrastructure special rate	5,440	5,870
Stormwater levy	1,706	1,639
Catchment remediation special rate	1,554	1,004
Economic development special rate	1,152	938
Harris park special rate	525	404
Open space special rate	501	502
Suburban infrastructure special rate	475	28
Infrastructure special rate (former Holroyd)	204	129

<b>External restrictions – other</b>	<b>246,618</b>	<b>165,893</b>
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<b>Total external restrictions</b>	<b>246,618</b>	<b>165,893</b>
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## Internal restrictions

Property and significant assets reserve	129,131	93,891
Employees leave entitlement	5,499	5,499
Urgent ward works	2,629	3,039
Asset renewal reserve	656	696
Council election	600	200
Parking meters	8	1,022

<b>Total internal restrictions</b>	<b>138,523</b>	<b>104,347</b>
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<b>TOTAL RESTRICTIONS</b>	<b>385,141</b>	<b>270,240</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Purpose</b>				
Rates and annual charges	8,605	948	7,129	937
User charges and fees	1,181	–	1,787	–
Receivable related to sale of assets				
– Sale of land (Museum of Applied Arts & Sciences project)	100,000	–	–	–
- Sale of land (189 Macquarie St)	–	15,000	–	–
Accrued revenues				
– Interest on investments	3,536	–	2,421	–
Net GST receivable	2,226	–	901	–
Restorations / reinstatements	1,164	–	13	–
Licencing receivables	1,094	–	875	–
Government grants and subsidies	518	–	1,878	–
Property leases	261	–	510	–
Amounts due from other councils	195	–	20,661	–
Environmental upgrade agreements	140	597	140	738
Deferred debtors	–	21,655	–	21,655
Other debtors	67	311	1,041	322
<b>Total</b>	<b>118,987</b>	<b>38,511</b>	<b>37,356</b>	<b>23,652</b>
<b>Less: provision of impairment</b>				
Section 7.11 funds receivable from Hornsby Council	–	–	(10,367)	–
Rates and annual charges	(65)	–	(60)	–
Other debtors	(1,101)	–	(898)	–
<b>Total provision for impairment – receivables</b>	<b>(1,166)</b>	<b>–</b>	<b>(11,325)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>117,821</b>	<b>38,511</b>	<b>26,031</b>	<b>23,652</b>
<b>Externally restricted receivables</b>				
<b>Domestic waste management</b>	2,766	–	1,682	–
<b>Stormwater management</b>	176	–	138	–
<b>Other</b>				
Grants	518	–	–	–
CBD Infrastructure special rate	236	–	216	–
Open space special rate	82	–	70	–
Suburban Infrastructure Special Rate	60	–	–	–
Economic development special rate	73	–	60	–
Catchment Remediation Special Rate	25	–	22	–
Harris park special rate	12	–	12	–
Infrastructure Special Rate (Former Holroyd)	4	–	3	–
Section 7.11 due from other Councils	–	–	4,761	–
<b>Total external restrictions</b>	<b>3,952</b>	<b>–</b>	<b>6,964</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>113,869</b>	<b>38,511</b>	<b>19,067</b>	<b>23,652</b>
<b>TOTAL NET RECEIVABLES</b>	<b>117,821</b>	<b>38,511</b>	<b>26,031</b>	<b>23,652</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables (continued)

\$ '000	2019	2018
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	11,325	1,158
- amounts written off	(10,367)	–
+ new provisions recognised during the year	220	10,500
– amounts provided for but recovered during the year	(12)	(333)
<b>Balance at the end of the period</b>	<b>1,166</b>	<b>11,325</b>

## Note 7 (i) - Nature of Capital debtors

\$100 mil receivable relates to sale of Riverbank site to NSW Government for Museum of Arts and Applied Sciences (MAAS) reallocation. This site was sold for a total consideration of \$140 mil, \$40 mil of which were provided in cash and \$100 mil were set aside in the Escrow for a proposed JV between the Council and the NSW government. Establishing of JV is subject to the business case approval. In the event a successful business case for Riverside Theatre is not established, the Council will receive \$100 mil in cash. Otherwise, \$100 mil will be invested by the Council in the JV.

## Accounting policy for receivables

## Recognition and measurement

Receivables 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

## Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the council in full, without recourse by the council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period. The council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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None of the receivables that have been written off are subject to enforcement activity.

Where the council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

#### **Accounting policy under AASB 139 – Applicable for 2018 comparatives only**

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 ongoing basis. Debts that are known to be uncollectable 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 uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Non-current assets classified as held for sale

## (i) Non-current assets and disposal group assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Non-current assets 'held for sale'</b>				
Parramatta Square Site 8	74,430	–	74,230	–
Parramatta Square Site 6	23,000	–	48,000	–
<b>Total non-current assets 'held for sale'</b>	<b>97,430</b>	<b>–</b>	<b>122,230</b>	<b>–</b>
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>97,430</u></b>	<b><u>–</u></b>	<b><u>122,230</u></b>	<b><u>–</u></b>

## (ii) Reconciliation of non-current assets 'held for sale'

\$ '000	2019 Assets 'held for sale'	2018 Assets 'held for sale'
<b>Opening balance</b>	122,230	209,650
Add: carrying value of assets classified this year	200	–
Less: carrying value of assets	(25,000)	(87,420)
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>97,430</b>	<b>122,230</b>

**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 continued 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 properties 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period									as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP capitalised	Transfers between asset classes	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	26,342	–	26,342	29,308	49,971	–	–	–	(50,413)	–	–	–	55,208	–	55,208
Plant and equipment	18,565	(8,921)	9,644	–	3,443	(822)	(2,619)	–	–	11	–	–	18,974	(9,317)	9,657
Office equipment	7,109	(2,899)	4,210	–	976	–	(780)	–	–	1	–	–	8,087	(3,680)	4,407
Furniture and fittings	16,561	(7,552)	9,009	–	1,647	–	(2,061)	–	–	587	–	–	18,885	(9,703)	9,182
<b>Land:</b>															
– Operational land	443,146	–	443,146	–	7,594	(123,849)	–	–	–	–	–	–	326,891	–	326,891
– Community land	385,579	–	385,579	–	–	–	–	–	–	–	–	–	385,579	–	385,579
– Land under roads (post 30/6/08)	2,151	–	2,151	–	–	–	–	–	–	–	–	–	2,151	–	2,151
Land improvements – depreciable	14,394	(3,641)	10,753	1,339	–	–	(485)	–	–	30	–	9,593	29,024	(7,794)	21,230
<b>Infrastructure:</b>															
– Buildings – non-specialised	194,132	(28,776)	165,356	2,107	1,991	(8,694)	(4,413)	–	–	(376)	–	1,017	209,004	(52,016)	156,988
– Buildings – specialised	34,173	(6,304)	27,869	–	190	–	(869)	(7,413)	–	(97)	–	–	31,186	(11,506)	19,680
– Other structures	20,414	(8,520)	11,894	–	2,403	–	(632)	–	–	704	–	–	21,968	(7,599)	14,369
– Roads	1,165,040	(269,984)	895,056	14,280	73	(1,620)	(17,848)	–	–	(4,468)	–	40,714	1,213,721	(287,534)	926,187
– Bridges	100,747	(29,889)	70,858	13	–	–	(1,135)	–	–	58	–	–	100,819	(31,025)	69,794
– Footpaths	171,266	(44,722)	126,544	3,790	2,100	(703)	(2,697)	–	–	9,343	–	–	190,466	(52,089)	138,377
– Bulk earthworks (non-depreciable)	102,338	–	102,338	–	–	–	–	–	–	37	–	1,654	104,029	–	104,029
– Stormwater drainage	364,741	(139,952)	224,789	2,148	439	–	(3,295)	–	–	(23)	–	–	367,305	(143,247)	224,058
– Swimming pools	1,378	(389)	989	–	–	–	(38)	–	–	–	–	50	1,512	(511)	1,001
– Other open space/recreational assets	72,336	(23,165)	49,171	2,332	2,361	(1,289)	(3,346)	–	–	(5,796)	(1,738)	–	67,414	(25,719)	41,695
<b>Other assets:</b>															
– Heritage collections	2,796	–	2,796	–	82	–	–	–	–	(435)	–	–	2,443	–	2,443
– Library books	5,064	(2,436)	2,628	–	860	–	(818)	–	–	–	–	–	5,924	(3,254)	2,670
– Other	4,242	(110)	4,132	–	1,360	–	(205)	–	–	424	–	–	6,026	(315)	5,711
<b>Total Infrastructure, property, plant and equipment</b>	<b>3,152,514</b>	<b>(577,260)</b>	<b>2,575,254</b>	<b>55,317</b>	<b>75,490</b>	<b>(136,977)</b>	<b>(41,241)</b>	<b>(7,413)</b>	<b>(50,413)</b>	<b>–</b>	<b>(1,738)</b>	<b>53,028</b>	<b>3,166,616</b>	<b>(645,309)</b>	<b>2,521,307</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 9. Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	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	Net carrying amount
<b>\$ '000</b>													
Capital work in progress	29,939	—	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	17,237	(8,763)	8,474	—	2,207	—	(1,672)	—	—	—	16,561	(7,552)	9,009
<b>Land:</b>													
– Operational land	443,146	—	443,146	—	—	—	—	—	—	—	443,146	—	443,146
– Community land	330,037	—	330,037	21	—	—	—	—	—	55,521	385,579	—	385,579
– Land under roads (post 30/6/08)	1,847	—	1,847	—	—	—	—	—	—	304	2,151	—	2,151
Land improvements – depreciable	12,952	(3,000)	9,952	1,438	—	—	(637)	—	—	—	14,394	(3,641)	10,753
<b>Infrastructure:</b>													
– Buildings – non-specialised	187,615	(24,390)	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	19,060	(7,831)	11,229	1,354	—	—	(689)	—	—	—	20,414	(8,520)	11,894
– Roads	1,151,300	(252,324)	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	156,914	(35,446)	121,468	5,132	2,000	—	(2,389)	—	—	333	171,266	(44,722)	126,544
– Bulk earthworks (non-depreciable)	102,338	—	102,338	—	—	—	—	—	—	—	102,338	—	102,338
– Stormwater drainage	355,409	(136,777)	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	36,516	(15,179)	21,337	4,348	9,700	—	(1,791)	—	—	15,577	72,336	(23,165)	49,171
<b>Other assets:</b>													
– 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	3,745	(53)	3,692	—	521	—	(82)	—	—	—	4,242	(110)	4,132
<b>Total Infrastructure, property, plant and equipment</b>	<b>3,029,108</b>	<b>(550,469)</b>	<b>2,478,639</b>	<b>103,222</b>	<b>30,660</b>	<b>(1,094)</b>	<b>(38,271)</b>	<b>(111)</b>	<b>(69,527)</b>	<b>71,735</b>	<b>3,152,514</b>	<b>(577,260)</b>	<b>2,575,254</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. 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.

When infrastructure, property, plant and equipment acquired by council for nil or nominal consideration, the assets are initially recognised at their fair value at the acquisition date.

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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Office equipment	5 to 10	Structure	100
Office furniture	10	Roof	75
Computer equipment	5	Fitouts and fittings, services	30
Vehicles	5 to 10	<b>Stormwater assets</b>	
Other plant and equipment	5 to 10	Pits and pipes	100 to 120
<b>Roads</b>		<b>Other infrastructure assets</b>	
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 100
<b>Other Assets</b>		Bus shelters	30
Library books	5	Other structures	5 to 100
Trees	50-100	<b>Footpaths</b>	
Other Assets	5 to 10	Footpaths	20 to 100

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

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment (continued)

**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.

## Note 10. Intangible assets

\$ '000	2019	2018
<b>Intangible assets are as follows:</b>		
<b>Opening values at 1 July</b>		
Gross book value	9,548	8,168
Accumulated amortisation	(7,280)	(6,250)
<b>Net book value – opening balance</b>	<b>2,268</b>	<b>1,918</b>
<b>Movements for the year</b>		
– Purchases	1,102	1,168
– Development costs	–	403
– Amortisation charges	(875)	(1,221)
– Gross book value written off	–	(191)
– Accumulated amortisation charges written off	–	191
<b>Closing values at 30 June</b>		
Gross book value	10,650	9,548
Accumulated amortisation	(8,155)	(7,280)
<b>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</b>	<b>2,495</b>	<b>2,268</b>

**The net book value of intangible assets represents:**

– Software	1,029	193
– Online platforms, network and security	684	875
– Web-site	377	233
– Worx Online mobility application	257	292
– TM1 software	148	171
– CITSR – corporate IT systems replacement	–	504
	<b>2,495</b>	<b>2,268</b>

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Payables</b>				
Goods and services	8,490	—	8,396	—
Security bonds, deposits and retentions	10,998	—	11,119	—
Accrued expenses:				
– Materials and contracts	12,966	—	10,187	—
– Salaries and wages	2,185	—	2,003	—
– Accrued Interest	207	—	243	—
Environment upgrade agreement	140	597	139	738
Government departments and agencies	79	—	57	—
<b>Total payables</b>	<b>35,065</b>	<b>597</b>	<b>32,144</b>	<b>738</b>
<b>Income received in advance</b>				
Payments received in advance	4,395	—	13,246	—
<b>Total income received in advance</b>	<b>4,395</b>	<b>—</b>	<b>13,246</b>	<b>—</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	8,748	30,668	9,035	39,416
<b>Total borrowings</b>	<b>8,748</b>	<b>30,668</b>	<b>9,035</b>	<b>39,416</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>48,208</u></b>	<b><u>31,265</u></b>	<b><u>54,425</u></b>	<b><u>40,154</u></b>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

\$ '000	2019	2018
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**(a) Current payables and borrowings not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	8,527	8,620
<b>Total payables and borrowings</b>	<b>8,527</b>	<b>8,620</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Payables and borrowings (continued)

## (b) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	48,451	(9,035)	–	–	–	39,416
<b>TOTAL</b>	<b>48,451</b>	<b>(9,035)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>39,416</b>

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	59,257	(10,806)	–	–	–	48,451
<b>TOTAL</b>	<b>59,257</b>	<b>(10,806)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>48,451</b>

\$ '000	2019	2018
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## (c) Financing arrangements

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

Bank overdraft facilities <sup>1</sup>	1,000	2,000
Credit cards/purchase cards	200	250
<b>Total financing arrangements</b>	<b>1,200</b>	<b>2,250</b>

## Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	2,000
– Credit cards/purchase cards	149	250
<b>Total undrawn financing arrangements</b>	<b>1,149</b>	<b>2,250</b>

(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

NSW Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the NSW Council comprise trade payables, bank and other loans.

## 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 drawdown occurs. To the extent that 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.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Payables and borrowings (continued)

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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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Long service leave	16,561	1,344	15,099	1,218
Annual leave	9,441	—	8,734	—
Sick leave	904	—	932	—
Other employee provisions	2,130	—	1,862	—
<b>Sub-total – aggregate employee benefits</b>	<b>29,036</b>	<b>1,344</b>	<b>26,627</b>	<b>1,218</b>
<b>Other provisions</b>				
Asbestos removal - Land	6,000	—	3,217	—
Asbestos removal - Buildings	663	—	—	—
Make good provisions	—	2,393	—	2,393
Legal expense	441	—	800	—
<b>Sub-total – other provisions</b>	<b>7,104</b>	<b>2,393</b>	<b>4,017</b>	<b>2,393</b>
<b>TOTAL PROVISIONS</b>	<b>36,140</b>	<b>3,737</b>	<b>30,644</b>	<b>3,611</b>

\$ '000	2019	2018
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**(a) 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	17,122	16,424
	<b>17,122</b>	<b>16,424</b>

**(b) Description of and movements in provisions**

\$ '000	Other provisions					Total
	Legal expense	Asbestos removal Land	Make good provisions	Local Govt. Elections	Asbestos removal Buildings	
<b>2019</b>						
At beginning of year	800	3,217	2,393	—	—	6,410
<b>Changes to provision:</b>						
Revised costs	(359)	—	—	—	—	(359)
Additional provisions	—	6,200	—	—	663	6,863
Amounts used (payments)	—	(3,417)	—	—	—	(3,417)
Total other provisions at end of period	441	6,000	2,393	—	663	9,497
<b>2018</b>						
At beginning of year	700	2,600	2,393	800	—	6,493
Additional provisions	100	1,651	—	—	—	1,751
Amounts used (payments)	—	(1,034)	—	(800)	—	(1,834)
Total other provisions at end of period	800	3,217	2,393	—	—	6,410

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 12. Provisions (continued)

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#### 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, reserves and buildings 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.

#### 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.

##### *On-costs*

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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.

##### Defined Benefit Plan: Multi-Employer Pooled Fund

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

(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 future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are:

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

\*For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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 past service 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) given the entity accounts for that plan as if were a defined contribution plan in accordance with paragraph 34, the following information:

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

Council confirms that the plan is a defined benefit plan.

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

1. Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
2. The contribution rates have been the same for all sponsoring employers. 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 12. Provisions (continued)

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 such, there is insufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would 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 \$995,214.

(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 2019 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

\*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	5.75% per annum
Salary inflation	3.5% per annum
Increase in CPI	2.5% per annum

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 final end of year review will be completed around November/December 2019.

The requirement for additional contributions in order to maintain the adequacy of the funding position for the accrued liabilities (currently \$40M per annum) is assessed annually by the Actuary.

The past service contributions of \$40M per annum are estimated to remain in place until 30 June 2021. However the Trustee determined in March 2019 that going forward should the funding on both Vested Benefit and Accrued Benefit funding levels exceed 100%, the Fund will look to suspend the request for past service contributions. Council notes that this is subject to the outcome of each annual funding update and any changes will be communicated in the New Year. Council advises that it is estimated that there are \$873,400 past service contributions remaining.

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2019 was \$1,052,187. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 31 December 2018, relating to the period ending 30 June 2018.

(v) *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 Council is 1.09%.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. 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) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively and Council did not need to restate any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

**Transition adjustments**

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
<b>Financial assets</b>						
Trade and other receivables	Loans and receivables	Amortised costs	49,683	–	–	49,683
Cash and Cash equivalents	Loans and receivables	Amortised costs	17,446	–	–	17,446
Term deposits	Held to maturity	FVTPL	223,612	–	–	223,612
Managed funds and long term growth	Held to maturity	FVTPL	24,152	–	–	24,152
FRN held for trading	Held to maturity	FVTPL	71,292	–	–	71,292
<b>Total financial assets under AASB 9 at 1 July 2018</b>			<b>386,185</b>	<b>–</b>	<b>–</b>	<b>386,185</b>
<b>Financial liabilities</b>						
Loans	Loans and receivables	Amortised costs	48,451	–	–	48,451
Payables	Other financial liabilities	Other financial liabilities	32,882	–	–	32,882
<b>Total financial liabilities under AASB 9 at 1 July 2018</b>			<b>81,333</b>	<b>–</b>	<b>–</b>	<b>81,333</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	55,888	17,446
<b>Balance as per the Statement of Cash Flows</b>		<b>55,888</b>	<b>17,446</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		86,764	35,632
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		42,116	39,492
Net losses/(gains) on disposal of assets		(45,553)	(960)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(2,118)	(865)
– Revaluation decrements / impairments of IPP&E direct to P&L		7,413	111
Share of net (profits)/losses of associates/joint ventures using the equity method		(508)	(866)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		18,510	31,585
Increase/(decrease) in provision for impairment of receivables		(10,159)	10,167
Decrease/(increase) in inventories		(10)	2
Decrease/(increase) in other current assets		(836)	142
Increase/(decrease) in payables		94	(1,751)
Increase/(decrease) in accrued interest payable		(36)	(49)
Increase/(decrease) in other accrued expenses payable		2,961	(12,888)
Increase/(decrease) in other liabilities		(638)	2,529
Increase/(decrease) in provision for employee benefits		2,535	(679)
Increase/(decrease) in other provisions		(3,109)	(1,734)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>97,426</b>	<b>99,868</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	508	866	6,656	6,148
<b>Total</b>	<b>508</b>	<b>866</b>	<b>6,656</b>	<b>6,148</b>

## (a) Joint arrangements

## (i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

## (a) Net carrying amounts – Council's share

\$ '000	Nature of relationship	Measurement method	2019	2018
Civic Risk West	Joint venture	Equity method	6,010	5,386
Civic Risk Mutual	Joint venture	Equity method	646	762
<b>Total carrying amounts – material joint ventures</b>			<b>6,656</b>	<b>6,148</b>

## (b) Details

Principal activity		Place of business
Civic Risk West	Management of public liability and property insurance	Australia
Civic Risk Mutual (Westpool and UIP)	Management of public liability and property insurance	Australia

## (c) Relevant interests and fair values

\$ '000	Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018
Civic Risk West	11.0%	13.0%	13.0%	13.0%	10.0%	10.0%
Civic Risk Mutual (Westpool and UIP)	8.0%	9.0%	9.0%	9.0%	6.0%	6.0%

## (d) Summarised financial information for joint ventures

\$ '000	Civic Risk West		Civic Risk Mutual (Westpool and UIP)	
	2019	2018	2019	2018

## Statement of financial position

## Current assets

Cash and cash equivalents	2,961	3,022	1,813	1,158
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Other current assets	27,419	19,442	7,215	5,759
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<b>Non-current assets</b>	<b>36,522</b>	<b>41,740</b>	<b>5,368</b>	<b>5,989</b>
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities (continued)

\$ '000	Civic Risk West		Civic Risk Mutual (Westpool and UIP)	
	2019	2018	2019	2018
<b>Current liabilities</b>				
Current financial liabilities (excluding trade and other payables and provisions)	6,657	6,111	4,827	2,690
Other current liabilities	740	720	345	299
<b>Non-current liabilities</b>				
Non-current financial liabilities (excluding trade and other payables and provisions)	12,117	15,612	2,279	1,448
<b>Net assets</b>	<b>47,388</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets	41,761	39,660	8,469	6,490
Profit/(loss) for the period	5,627	5,913	(1,524)	1,979
Other adjustments to equity	—	(3,812)	—	—
<b>Closing net assets</b>	<b>47,388</b>	<b>41,761</b>	<b>6,945</b>	<b>8,469</b>
<b>Council's share of net assets (%)</b>	12.7%	12.9%	9.3%	9.0%
<b>Council's share of net assets (\$)</b>	6,010	5,386	646	762
<b>Statement of comprehensive income</b>				
Income	6,295	6,076	11,320	9,425
Interest income	3,672	3,261	447	439
Interest expense	(1)	(17)	—	—
Other expenses	(4,339)	(3,407)	(13,291)	(7,886)
<b>Profit/(loss) from continuing operations</b>	<b>5,627</b>	<b>5,913</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Profit/(loss) for the period</b>	<b>5,627</b>	<b>5,913</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Total comprehensive income</b>	<b>5,627</b>	<b>5,913</b>	<b>(1,524)</b>	<b>1,978</b>
<b>Share of income – Council (%)</b>	11.1%	12.1%	7.6%	7.5%
<b>Profit/(loss) – Council (\$)</b>	624	717	(116)	149
<b>Total comprehensive income – Council (\$)</b>	624	717	(116)	149
<b>Dividends received by Council</b>	—	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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Interests in other entities (continued)

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

## (b) Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2019	2018
---------	------	------

**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 a two-year agreement with Parramasala.

According to the two-year agreement, the Council annual 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 a two-year 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 2 years from 18 November 2018 to 30 June 2020.

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.

Income received by Council relating to the Structured Entity

– Sponsorship	200	200
– In-kind	3	5

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Commitments

\$ '000	2019	2018
---------	------	------

## (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	10,992	13,436
Roads, kerb and gutter	3,521	3,132
Open Space	1,907	–
Land Improvements	2,867	1,327
Stormwater Drainage	621	1,401
IT and web assets	527	–
Footpaths	551	1,279
Plant and equipment	156	5,330
Other Structure	96	–
Bridges	57	66
Other	1,958	1,054
<b>Total commitments</b>	<b>23,253</b>	<b>27,025</b>

**These expenditures are payable as follows:**

Within the next year	23,253	27,025
<b>Total payable</b>	<b>23,253</b>	<b>27,025</b>

**Sources for funding of capital commitments:**

Unrestricted general funds	9,207	4,834
Future grants and contributions	1,162	538
Sect 64 and 7.11 funds/reserves	8,481	13,563
Unexpended grants	1,504	757
Externally restricted reserves	–	557
Internally restricted reserves	2,451	5,552
Special rates	448	1,224
<b>Total sources of funding</b>	<b>23,253</b>	<b>27,025</b>

**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	5,622	5,710
Later than one year and not later than 5 years	15,655	15,174
<b>Total non-cancellable operating lease commitments</b>	<b>21,277</b>	<b>20,884</b>

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

Operating leases are in place for property assets and have lease terms of between one to four years.

**Conditions relating to finance and operating leases:**

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Contingencies

The independent expert (JMB Environmental Consulting Pty Ltd -JMBE) was engaged by Council to conduct a Hazardous Materials Management register. JMBE performed the risk assessment and assigned a risk score to each of the Council's building.

Council has classified the cost of removal of hazardous material for Low and very Low items as a Contingent liability totalling \$4.4 mil.

## Note 18. Financial risk management

## Risk management

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

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

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

Financial risk management is carried out by the finance team under policies approved by the Council.

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.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	55,888	17,446	16,340	17,470
Receivables	156,332	49,683	155,593	54,432
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	226,830	223,612	266,260	223,612
<b>Fair value through profit and loss</b>				
Investments				
– 'Held for trading'	146,670	95,444	146,670	95,444
<b>Total financial assets</b>	<b>585,720</b>	<b>386,185</b>	<b>584,863</b>	<b>390,958</b>
<b>Financial liabilities</b>				
Payables	35,662	32,882	35,516	32,882
Borrowings	39,416	48,451	37,593	49,886
<b>Total financial liabilities</b>	<b>75,078</b>	<b>81,333</b>	<b>73,109</b>	<b>82,768</b>

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 Minister's investment order 625. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or 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.
- **Liquidity risk** - the risk that Council will not be able to pay its debts as and when they fall due.
- **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.

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2019</b>				
Possible impact of a 10% movement in market values	14,699	14,699	(14,699)	(14,699)
Possible impact of a 1% movement in interest rates	2,826	2,826	(2,826)	(2,826)
<b>2018</b>				
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)

## (b) Credit risk

Council's major receivables comprise (i) rates and annual charges, (ii) user charges and fees, (iii) capital receivable from sale of land.

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 is no credit risk associated with Capital receivable from sale of Land as the funds were placed at the escrow account for the proposed JV. If JV is not formed, the funds will be transferred to Council's bank account.

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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

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.

## Credit risk profile

## Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
<b>2019</b>						
Gross carrying amount	–	8,721	313	133	386	9,553
<b>2018</b>						
Gross carrying amount	–	7,619	101	73	273	8,066

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
<b>2019</b>						
Gross carrying amount	146,124	285	110	502	924	147,945
Expected loss rate (%)	0.00%	0.00%	0.00%	48.00%	100.00%	0.79%
<b>ECL provision</b>	–	–	–	241	924	1,165
<b>2018</b>						
Gross carrying amount	35,785	1,440	11	16	15,690	52,942
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	72.00%	21.34%
<b>ECL provision</b>	–	–	–	–	11,297	11,297

## (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. The Finance

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 18. Financial risk management (continued)

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 timing of cashflows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates.

The timing of expected outflows is not expected to be materially different from contracted cashflows.

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	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2019</b>							
Trade/other payables	0.00%	10,998	24,576	–	–	35,574	35,662
Loans and advances	5.04%	–	8,748	29,841	827	39,416	39,416
<b>Total financial liabilities</b>		<b>10,998</b>	<b>33,324</b>	<b>29,841</b>	<b>827</b>	<b>74,990</b>	<b>75,078</b>
<b>2018</b>							
Trade/other payables	0.00%	11,119	20,722	–	–	31,841	32,882
Loans and advances	5.10%	–	11,340	41,200	2,962	55,502	48,451
<b>Total financial liabilities</b>		<b>11,119</b>	<b>32,062</b>	<b>41,200</b>	<b>2,962</b>	<b>87,343</b>	<b>81,333</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25/06/2018 and is unaudited.

The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the council.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
Rates and annual charges	177,621	180,547	2,926	2% <b>F</b>
User charges and fees	39,805	39,126	(679)	(2)% <b>U</b>
Interest and investment revenue	8,735	13,564	4,829	55% <b>F</b>
Variance is due to higher yields expected on current investment balances and higher balances than expected since preparing the budget.				
Other revenues	15,795	14,051	(1,744)	(11)% <b>U</b>
Other revenue is below the budget due to over-budgeting of parking fines, resulting in a shortfall in 2018/19.				
Operating grants and contributions	19,101	18,651	(450)	(2)% <b>U</b>
Capital grants and contributions	103,342	55,759	(47,583)	(46)% <b>U</b>
\$40 mil that was received from the sale of Riverbank car park assets included in Capital Grants budget, whilst in the actual results it is disclosed within Net Gains from Disposals of Assets. Following grants and contributions were budgeted for but were not received in 2018/19: - \$8 mil Wentworth Point VPA - \$1.2 mil Escarpment Boardwalk grant Those were partially offset by the positive budget variations such as early payment received for Parramatta Urban Amenities Improvements program.				
Net gains from disposal of assets	—	45,553	45,553	∞ <b>F</b>
Refer to the comment above				



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Joint ventures and associates – net profits	–	508	508	∞ F
Movement in Joint Venture net assets for 2018/19.				

#### EXPENSES

Employee benefits and on-costs	114,459	117,563	(3,104)	(3)% U
Borrowing costs	2,264	2,269	(5)	0% U
Materials and contracts	57,031	62,312	(5,281)	(9)% U

Variances mainly due to projects deemed capital which were reviewed in June 2019 and determined to be operating.

Depreciation and amortisation	42,039	42,116	(77)	0% U
Other expenses	43,331	49,322	(5,991)	(14)% U

Other expenses are higher than budget due to section 7.11 receivable from Hornsby write-off (\$3.5 mil), increase of state emergency levy by \$1.6 mil due to the back payment of fees from the previous two financial years and LED street lighting upgrade expenditures (\$0.9 mil).

Revaluation decrement / impairment of IPP&E	–	7,413	(7,413)	∞ U
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Revaluation of Non-specialised Buildings resulted in impairment loss.

#### STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	144,540	97,426	(47,114)	(33)% U
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Variance is due to VPA for Wentworth Point not received in 2018/19. It is expected to be received in 2019/20. Other variance is related to incorrectly classifying proceeds from sale of Riverbank (Museum of Applied Arts & Sciences project) as a grant (\$40 mil).

Net cash provided from (used in) investing activities	(135,505)	(49,949)	85,556	(63)% F
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net gain from sale of Riverbank, 4 & 6 Parramatta Square Development and Plant & Equipment was not budgeted for which resulted in significant variance.				
<hr/>				
Net cash provided from (used in) financing activities	(9,035)	(9,035)	–	0% <b>F</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement

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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.

#### **Fair value hierarchy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

## (1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		30/06/19	146,986	–	–	146,986
Total financial assets			146,986	–	–	146,986
Infrastructure, property, plant and equipment						
	9					
Operational land		13/05/16	–	326,268	–	326,268
Community land		30/06/18	–	–	385,579	385,579
Land under roads		30/06/18	–	–	2,151	2,151
Land improvements - depreciable		30/06/19	–	–	21,230	21,230
Buildings-non specialised		30/06/19	–	–	157,611	157,611
Buildings-specialised		30/06/19	–	–	19,680	19,680
Other structures		13/05/16	–	–	14,284	14,284
Roads		30/06/19	–	–	926,142	926,142
Bridges		13/05/16	–	–	69,791	69,791
Footpaths		31/03/18	–	–	138,381	138,381
Bulk earthworks		30/06/19	–	–	104,029	104,029
Stormwater drainage		13/05/16	–	–	224,058	224,058
Swimming pools		30/06/19	–	–	1,001	1,001
Other open space/recreational assets		30/06/19	–	–	41,717	41,717
Total infrastructure, property, plant and equipment			–	326,268	2,105,654	2,431,922
Non-current assets classified as ‘held for sale’						
	8					
Parramatta Square 6 & 8		30/06/17	97,430	–	–	97,430
Total NCA’s classified as ‘held for sale’			97,430	–	–	97,430

Note:

Capital WIP is not included above as it is carried at cost.

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Held for trading’		29/06/18	95,444	–	–	95,444
Total financial assets			95,444	–	–	95,444
Infrastructure, property, plant and equipment						
	9					
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
Land improvements - depreciable		13/05/16	–	–	10,753	10,753
Buildings-non specialised		13/05/16	–	–	165,356	165,356

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Buildings-specialised		13/05/16	—	—	27,869	27,869
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
Bulk earthworks		13/05/16	—	—	102,338	102,338
Stormwater drainage		13/05/16	—	—	224,789	224,789
Swimming pools		13/05/16	—	—	989	989
Other open space/recreational assets		30/06/18	—	—	49,171	49,171
<b>Total infrastructure, property, plant and equipment</b>			—	443,146	2,073,347	2,516,493
<b>Non-current assets classified as 'held for sale'</b>	8					
Parramatta Square 6 & 8		30/06/17	122,230	—	—	122,230
<b>Total NCA's classified as 'held for sale'</b>			122,230	—	—	122,230

Note:

Capital WIP is not included above as it is carried at cost.

Note that capital WIP is not included above since it is carried at cost.

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

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

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

### Infrastructure, property, plant and equipment (IPP&E)

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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Carrying amount of Community Land was assessed at this reporting date by management using Value General's revaluation. Change in carrying value was considered to be immaterial.

#### Land Under Roads

Land Under Roads identified as roads constructed post 1/7/2008 has been valued on 30/06/2018, 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 APV Valuers & Asset Management to value all buildings and to assess change in carrying amount at the end of this financial year.

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

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.

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 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 this financial year.

A comprehensive valuation has been completed this financial year by APV Valuers & Asset Management. 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 (IMG).

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 20. Fair Value Measurement (continued)

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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 this financial year. 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.

#### 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 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 assessed 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).

Council assessed change in carrying amount of Footpaths at the end of this financial year. Change in carrying value was considered to be immaterial and no revaluation was performed this financial year.

#### 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 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 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

Council assessed 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.

A comprehensive valuation was conducted by APV this year 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.

**Open Space Assets**

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

As of 30 June 2018, the majority of open space assets were valued by internal experts using Level 3 valuation inputs and the cost approach.

As of 30 June 2019 Council revalued the groups of assets (fences, land improvements, irrigations) which were not revalued at the last year's revaluation. The valuation was performed by internal experts using the cost approach.

## (3) Fair value measurements using significant unobservable inputs (level 3)

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

\$ '000	Total IPP&E
<b>2018</b>	
<b>Opening balance</b>	1,977,905
Purchases (GBV)	56,630
Disposals (WDV)	(696)
Depreciation and impairment	(32,227)
FV gains – other comprehensive income	71,735
Transfer to Furniture and Fittings	–
<b>Closing balance</b>	<b>2,073,347</b>
<b>2019</b>	
<b>Opening balance</b>	2,073,347
Purchases (GBV)	36,082
Disposals (WDV)	(12,306)
Depreciation and impairment	(43,909)
FV gains – other comprehensive income	53,028
Transfer to Furniture and Fittings	(588)
<b>Closing balance</b>	<b>2,105,654</b>

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.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
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## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Land Under Roads	2,151	Englobo methodology	Land value, land area
Land improvements	21,230	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Buildings (Specialised and Non-Specialised)	177,291	Market-based direct comparison/cost approach	Market value if available. Otherwise, current replacement cost
Other Structures	14,284	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Roads including bulk earthworks	1,030,171	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Bridges	69,791	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Footpaths	138,381	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Stormwater Drainage	224,058	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Swimming Pools	1,001	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Open Space and Land Improvement Assets	41,717	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Asset class here...	385,579		

## (4) Highest and best use

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

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 21. Related Party Transactions

#### 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 and (d) Directors.

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

\$ '000	2019	2018
<b>Compensation:</b>		
Short-term benefits	3,181	3,165
Post-employment benefits	235	240
Other long-term benefits	109	119
Termination benefits	709	128
<b>Total</b>	<b>4,234</b>	<b>3,652</b>

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

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

Post-employment benefits include superannuation benefits. Other long-term benefits include long service leave and annual leave.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 22. Events occurring after the reporting date

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Council is aware of the following 'non-adjusting events' that merit disclosure.

On 11/07/2019, Council received cash proceeds of \$25.25 mil relating to the Contract for Sale of Parramatta Square Site 8.

The breakdown is as follows:

- \$20 mil for the sale of the Alternate Scheme Building Lot; and
- \$5.25 mil for the sale of the Developer Basement Lot

On 01/07/2019, Council handed control over the land parcels to State. The total WDV of these totalled \$14.3 mil.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions

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

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Open space	255	–	–	6	(154)	–	107	–
Community facilities	6,599	519	–	223	–	–	7,341	–
Traffic and parking	2,833	–	–	92	–	–	2,925	–
Traffic and transport	120	–	–	2	(120)	–	2	–
Councils OnLine	14	–	–	1	–	–	15	–
Public domain projects	7,062	1,249	–	251	–	–	8,562	–
River foreshore park	2,638	389	–	88	(215)	–	2,900	–
Arts and cultural facility	7,849	776	–	239	(1,770)	–	7,094	–
Recreation Facilities	5,600	648	–	193	–	–	6,441	–
Historic buildings	752	129	–	27	–	–	908	–
Car park enhancements	–	130	–	2	–	–	132	–
Access and transport	8,925	776	–	302	(112)	–	9,891	–
Ermington traffic and pedestrian	–	–	–	–	–	–	–	–
Community facilities (A)	1,663	739	–	58	(488)	–	1,972	–
Drainage, water quality and laneway infrastructure	2,270	441	–	66	(946)	–	1,831	–
Natural environment	5	148	–	–	(153)	–	–	–
Open space and recreation	6,343	1,233	–	194	(2,345)	–	5,425	–
Public domain	2,349	355	–	78	(242)	–	2,540	–
Roads and shared paths	4,283	638	–	106	(2,689)	–	2,338	–
Parramatta Square	–	5,572	–	75	(975)	–	4,672	–
Open Space Land - Former Hills	3,333	636	–	119	–	–	4,088	–
Open Space Capital - Former Hills	287	74	–	11	–	–	372	–
Transport Facilities Capital - Former Hills	1,682	348	259	60	–	–	2,090	–
Administration - Former Hills	1,173	46	–	39	–	–	1,258	–

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Stormwater Management - Former Hills	1,979	418	—	71	—	—	2,468	—
Community Facilities - Former Hills	1,833	269	—	64	—	—	2,166	—
Open Space and Recreation -Former Hills	3,260	140	—	109	—	—	3,509	—
Roads and Natural Paths -Former Hills	3,027	160	—	100	(58)	—	3,229	—
Natural Environment -Former Hills	18	19	—	1	—	—	38	—
Public Domain -Former Hills	18	20	—	1	—	—	39	—
Drainage and Water Quality -Former Hills	23	30	—	1	—	—	54	—
Drainage & Water Quality (Former Hornsby)	33	188	—	4	—	—	225	—
Public Domain - Former Hornsby	276	1,318	—	30	—	—	1,624	—
Roads - Former Hornsby	2,249	710	—	65	(1,166)	—	1,858	—
Open Space - Former Hornsby	8,422	6,792	—	356	(1,763)	—	13,807	—
Community Facilities - Former Hornsby	2,693	851	—	93	(538)	—	3,099	—
Plan Administration - Former Hornsby	39	22	—	1	(12)	—	50	—
Other - Former Hornsby	1,960	521	—	73	—	—	2,554	—
Community Facilities - Former Auburn	61	11	—	2	—	—	74	—
Public Domain - Former Auburn	135	24	—	5	—	—	164	—
Accessibilty and Traffic - Former Auburn	38	64	—	2	—	—	104	—
Plan Administration - Former Auburn	14	2	—	1	—	—	17	—
Open Space (HBW)	9,207	859	—	314	—	—	10,380	—
Community Facilities (HBW)	5,371	481	—	139	(2,712)	—	3,279	—
Traffic Management (HBW)	2,236	356	—	78	(22)	—	2,648	—
Plan Administration (HBW)	583	125	—	20	—	—	728	—
Community Facilities (Carter Street)	348	1	—	11	—	—	360	—
Local Open Space (Carter Street)	915	4	—	30	—	—	949	—
District Recreation (Carter Street)	2,081	8	—	68	—	—	2,157	—
Active Transport (Carter Street)	693	3	—	22	—	—	718	—
Traffic Management (Carter Street)	808	3	—	26	—	—	837	—
Plan Administration (Carter Street)	27	—	—	1	—	—	28	—
Parks and Recreation (former Holroyd)	6	13	—	1	—	—	20	—
Sporting Fields (former Holroyd)	6	13	—	1	—	—	20	—
Community Facilities (former Holroyd)	4	6	—	—	—	—	10	—
<b>S7.11 contributions – under a plan</b>	<b>114,398</b>	<b>28,277</b>	<b>259</b>	<b>3,922</b>	<b>(16,480)</b>	<b>—</b>	<b>130,117</b>	<b>—</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>Total S7.11 and S7.12 revenue under plans</b>	114,398	28,277	259	3,922	(16,480)	–	130,117	–
S7.4 planning agreements	3,887	–	971	127	–	–	4,014	–
<b>Total contributions</b>	<b>118,285</b>	<b>28,277</b>	<b>1,230</b>	<b>4,049</b>	<b>(16,480)</b>	<b>–</b>	<b>134,131</b>	<b>–</b>

## S7.11 Contributions – under a plan

## PARRAMATTA SECTION 7.11 CONTRIBUTION PLAN NUMBER 1

Traffic and parking	2,833	–	–	92	–	–	2,925	–
<b>Total</b>	<b>2,833</b>	<b>–</b>	<b>–</b>	<b>92</b>	<b>–</b>	<b>–</b>	<b>2,925</b>	<b>–</b>

## PARRAMATTA COMPREHENSIVE SECTION 7.11 CONTRIBUTION PLAN

Open space	255	–	–	6	(154)	–	107	–
Traffic and transport	120	–	–	2	(120)	–	2	–
<b>Total</b>	<b>375</b>	<b>–</b>	<b>–</b>	<b>8</b>	<b>(274)</b>	<b>–</b>	<b>109</b>	<b>–</b>

## PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (NON CITY CENTRE)

Councils OnLine	14	–	–	1	–	–	15	–
Community facilities (A)	1,663	739	–	58	(488)	–	1,972	–
Drainage, water quality and laneway infrastructure	2,270	441	–	66	(946)	–	1,831	–
Natural environment	5	148	–	–	(153)	–	–	–
Open space and recreation	6,343	1,233	–	194	(2,345)	–	5,425	–
Public domain	2,349	355	–	78	(242)	–	2,540	–
Roads and shared paths	4,283	638	–	106	(2,689)	–	2,338	–
<b>Total</b>	<b>16,927</b>	<b>3,554</b>	<b>–</b>	<b>503</b>	<b>(6,863)</b>	<b>–</b>	<b>14,121</b>	<b>–</b>

## PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (CIVIC IMPROVEMENT)

Community facilities	6,599	519	–	223	–	–	7,341	–
Public domain projects	7,063	1,249	–	251	–	–	8,563	–

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
River foreshore park	2,638	389	—	88	(215)	—	2,900	—
Arts and cultural facility	7,849	776	—	239	(1,770)	—	7,094	—
Recreation Facilities	5,600	648	—	193	—	—	6,441	—
Historic buildings	752	129	—	27	—	—	908	—
Car park enhancements	—	130	—	2	—	—	132	—
Parramatta Square	—	5,572	—	75	(975)	—	4,672	—
Access and transport	8,923	776	—	302	(112)	—	9,889	—
<b>Total</b>	<b>39,424</b>	<b>10,188</b>	<b>—</b>	<b>1,400</b>	<b>(3,072)</b>	<b>—</b>	<b>47,940</b>	<b>—</b>
<b>SECTION 7.11 DEVELOPMENT CONTRIBUTION PLAN - CARLINGFORD PRECINCT</b>								
Open Space Land – Former Hills	3,333	636	—	119	—	—	4,088	—
Open Space Capital – Former Hills	287	74	—	11	—	—	372	—
Transport Facilities Capital – Former Hills	1,682	348	259	60	—	—	2,090	—
Administration – Former Hills	1,173	46	—	39	—	—	1,258	—
Stormwater Management – Former Hills	1,979	418	—	71	—	—	2,468	—
Community Facilities – Former Hills	1,335	230	—	47	—	—	1,612	—
<b>Total</b>	<b>9,789</b>	<b>1,752</b>	<b>259</b>	<b>347</b>	<b>—</b>	<b>—</b>	<b>11,888</b>	<b>—</b>
<b>SECTION 7.12 DEVELOPMENT CONTRIBUTION PLAN-FORMER HILLS LGA LAND</b>								
Community Facilities – Former Hills	499	39	—	17	—	—	555	—
Open Space and Recreation -Former Hills	3,260	140	—	109	—	—	3,509	—
Roads and Natural Paths -Former Hills	3,027	160	—	100	(58)	—	3,229	—
Natural Environment -Former Hills	19	19	—	1	—	—	39	—
Public Domain -Former Hills	19	20	—	1	—	—	40	—
Drainage and Water Quality -Former Hills	23	30	—	1	—	—	54	—
<b>Total</b>	<b>6,847</b>	<b>408</b>	<b>—</b>	<b>229</b>	<b>(58)</b>	<b>—</b>	<b>7,426</b>	<b>—</b>
<b>SECTION 7.11 FORMER EPPING AND HORNSBY TC</b>								
Plan Administration – Former Hornsby	4	22	—	—	—	—	26	—
Community Facilities – Former Hornsby	148	851	—	19	—	—	1,018	—
Drainage & Water Quality (Former Hornsby)	33	188	—	4	—	—	225	—
Open Space – Former Hornsby	1,298	6,792	—	147	(363)	—	7,874	—
Public Domain – Former Hornsby	277	1,318	—	30	—	—	1,625	—

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Roads – Former Hornsby	149	710	–	15	(54)	–	820	–
<b>Total</b>	<b>1,909</b>	<b>9,881</b>	<b>–</b>	<b>215</b>	<b>(417)</b>	<b>–</b>	<b>11,588</b>	<b>–</b>
<b>HORNSBY SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN</b>								
Roads – Former Hornsby	2,100	–	–	50	(1,112)	–	1,038	–
Open Space – Former Hornsby	7,124	–	–	209	(1,400)	–	5,933	–
Community Facilities – Former Hornsby	2,545	–	–	74	(538)	–	2,081	–
Plan Administration – Former Hornsby	35	–	–	1	(12)	–	24	–
<b>Total</b>	<b>11,804</b>	<b>–</b>	<b>–</b>	<b>334</b>	<b>(3,062)</b>	<b>–</b>	<b>9,076</b>	<b>–</b>
<b>HORNSBY SECTION 7.12 DEVELOPMENT CONTRIBUTION PLAN</b>								
Other – Former Hornsby	1,886	14	–	62	–	–	1,962	–
<b>Total</b>	<b>1,886</b>	<b>14</b>	<b>–</b>	<b>62</b>	<b>–</b>	<b>–</b>	<b>1,962</b>	<b>–</b>
<b>AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART B RESIDENTIAL AND PART F EMPLOYMENT</b>								
Community Facilities – Former Auburn	62	11	–	2	–	–	75	–
Public Domain – Former Auburn	135	24	–	5	–	–	164	–
Accessibility and Traffic – Former Auburn	38	64	–	2	–	–	104	–
Plan Administration – Former Auburn	14	2	–	1	–	–	17	–
<b>Total</b>	<b>249</b>	<b>101</b>	<b>–</b>	<b>10</b>	<b>–</b>	<b>–</b>	<b>360</b>	<b>–</b>
<b>AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART C HOMEBUSH BAY WEST</b>								
Open Space (HBW)	9,207	859	–	314	–	–	10,380	–
Community Facilities (HBW)	5,371	481	–	139	(2,712)	–	3,279	–
Traffic Management (HBW)	2,236	356	–	78	(22)	–	2,648	–
Plan Administration (HBW)	583	125	–	20	–	–	728	–
<b>Total</b>	<b>17,397</b>	<b>1,821</b>	<b>–</b>	<b>551</b>	<b>(2,734)</b>	<b>–</b>	<b>17,035</b>	<b>–</b>
<b>CARTER STREET PRECINCT DEVELOPMENT CONTRIBUTION PLAN 2016</b>								
Community Facilities (Carter Street)	348	1	–	11	–	–	360	–
Local Open Space (Carter Street)	915	4	–	30	–	–	949	–
District Recreation (Carter Street)	2,080	8	–	68	–	–	2,156	–
Active Transport (Carter Street)	693	3	–	22	–	–	718	–



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 23. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Traffic Management (Carter Street)	808	3	–	26	–	–	837	–
Plan Administration (Carter Street)	27	–	–	1	–	–	28	–
<b>Total</b>	<b>4,871</b>	<b>19</b>	<b>–</b>	<b>158</b>	<b>–</b>	<b>–</b>	<b>5,048</b>	<b>–</b>
<b>HOLROYD SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN 2013</b>								
Parks and Recreation (former Holroyd)	6	13	–	1	–	–	20	–
Sporting Fields (former Holroyd)	6	13	–	1	–	–	20	–
Community Facilities (former Holroyd)	4	6	–	–	–	–	10	–
<b>Total</b>	<b>16</b>	<b>32</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>50</b>	<b>–</b>
<b>SECTION 7.12 FORMER EPPING AND HORNSBY TC</b>								
Other – Former Hornsby	75	507	–	11	–	–	593	–
<b>Total</b>	<b>75</b>	<b>507</b>	<b>–</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>593</b>	<b>–</b>

### S7.4 planning agreements

#### S7.4 planning agreements

Lennox Bridge Portals	538	–	–	18	–	–	556	–
Parramatta River Pedestrian Crossing	2,927	–	–	95	–	–	3,022	–
Local Road Works River Road West	171	–	–	6	–	–	177	–
Local road works Ermington	12	–	–	–	–	–	12	–
Robin Thomas Reserve	217	–	–	7	–	–	224	–
Bushland Regeneration Ponds Creek Reserve	22	–	–	1	–	–	23	–
Wentworth Point Library and Community Center	–	–	971	–	–	–	–	–
<b>Total</b>	<b>3,887</b>	<b>–</b>	<b>971</b>	<b>127</b>	<b>–</b>	<b>–</b>	<b>4,014</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(a). Statement of performance measures – consolidated results

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2019	2019	2018	
<b>1. Operating performance ratio</b>				
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	(9,761)	(3.70)%	(5.24)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	263,821			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	244,019	76.36%	77.82%	>60.00%
Total continuing operating revenue <sup>1</sup>	319,580			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions	395,238	6.73x	4.87x	>1.50x
Current liabilities less specific purpose liabilities	58,699			
<b>4. Debt service cover ratio</b>				
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	34,624	3.06x	2.15x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	11,304			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	9,488	5.04%	4.51%	<5.00%
Rates, annual and extra charges collectible	188,220			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	282,718	12.41	10.91	>3.00
Monthly payments from cash flow of operating and financing activities	22,775	mths	mths	mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

**Notes to the Financial Statements**  
for the year ended 30 June 2019

End of audited financial statements

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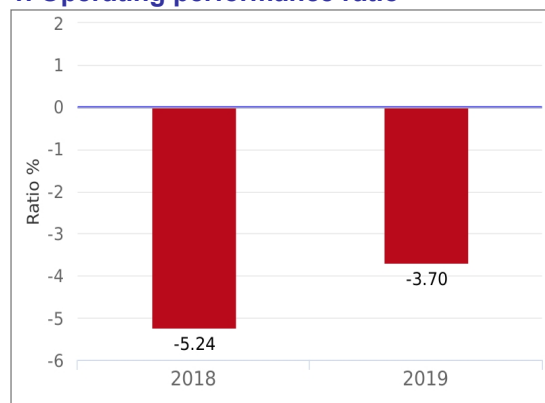
End of audited financial statements

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(b). Statement of performance measures – consolidated results (graphs)

## 1. Operating performance ratio



## Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

## Commentary on 2018/19 result

2018/19 ratio (3.70)%

This ratio improved comparing to the last financial year. However, it still remains below the benchmark due to significant operating expenditures that relate to write-off of Section 7.11 funds receivable from Hornsby, costs associated with restructure, Light Rail and Parramatta Square projects.

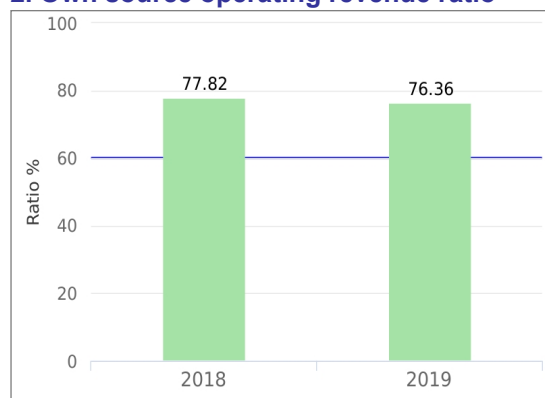
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## 2. Own source operating revenue ratio



## Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

## Commentary on 2018/19 result

2018/19 ratio 76.36%

This ratio remains above the benchmark with no significant changes since last year.

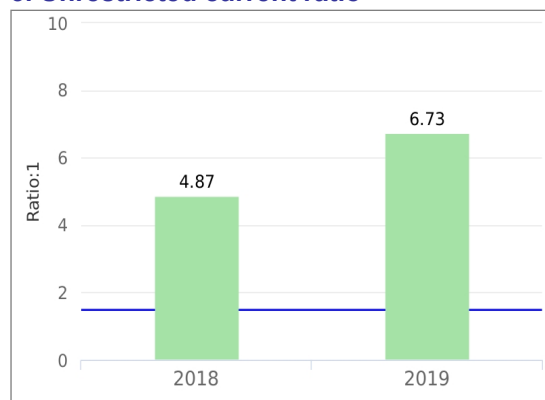
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

## 3. Unrestricted current ratio



## Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

## Commentary on 2018/19 result

2018/19 ratio 6.73x

This ratio exceeds the benchmark and increased comparing to the last year indicating a sound liquidity position. The improvement in the ratio is mainly due to an increase in cash and receivables from the sale of the MAAS site.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

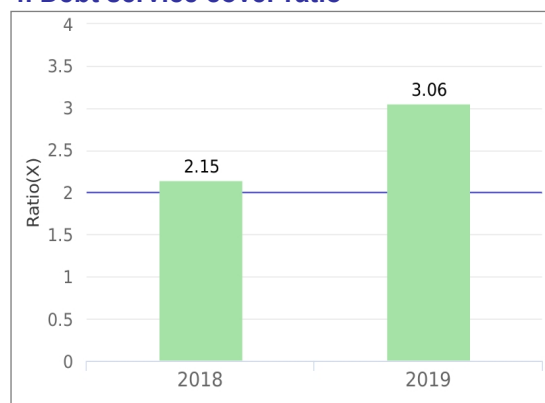
Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 24(b). Statement of performance measures – consolidated results (graphs)

## 4. Debt service cover ratio



## 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 2018/19 result

2018/19 ratio 3.06x

This ratio remains above the benchmark and improved this year due to improved operating results and slight decrease in borrowing costs.

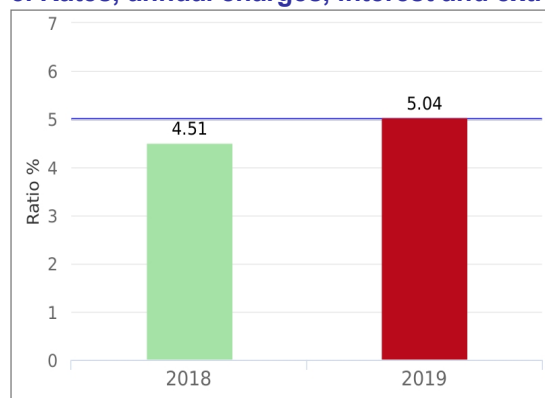
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## 5. Rates, annual charges, interest and extra charges outstanding percentage



## Purpose of rates, annual charges, interest and extra charges outstanding

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

## Commentary on 2018/19 result

2018/19 ratio 5.04%

This ratio is outside the benchmark and 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 was in process of verification.

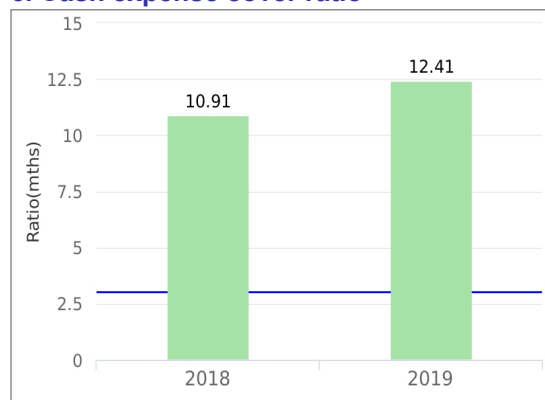
Benchmark: — < 5.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## 6. Cash expense cover ratio



## 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 2018/19 result

2018/19 ratio 12.41 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 and Riverbank assets and 2019/20 Financial Assistance Grant received in advance in June 2019.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 25. Council information and contact details

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**Principal place of business:**

126 Church Street  
Parramatta NSW 2150

#### Contact details

**Mailing Address:**

PO BOX 32  
Parramatta NSW 2124

**Telephone:** (02) 9806 5050

**Facsimile:** (02) 9806 5917

**Opening hours:**

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

**Internet:** <http://www.cityofparramatta.nsw.gov.au/>

**Email:** [council@cityofparramatta.nsw.gov.au](mailto:council@cityofparramatta.nsw.gov.au)

#### Officers

**Chief Executive Officer**

Brett Newman (commenced on 16 September 2019)  
Rik Hart (ceased on 15 September 2019)

**Responsible Accounting Officer**

Alistair Cochrane

**Auditors**

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

#### Elected members

**Lord Mayor**

Robert Dwyer (commenced on 23 September 2019)  
Andrew Wilson (ceased on 23 September 2019)

**Councillors**

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

#### Other information

**ABN:** 49 907 174 773



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### City of Parramatta Council

To the Councillors of the City of Parramatta Council

### Opinion

I have audited the accompanying financial statements of City of Parramatta Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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 statements 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 Statements' 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**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.



A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Min Lee  
A/ Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



Bob Dwyer  
Lord Mayor  
City of Parramatta Council  
PO Box 32  
PARRAMATTA NSW 2124

Contact: Min Lee  
Phone no: 02 9575 7151  
Our ref: D1923278/1776

29 October 2019

Dear Lord Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2019  
City of Parramatta Council**





I have audited the general purpose financial statements (GPFS) of the City of Parramatta Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	180.5	172.1	 4.9
Grants and contributions revenue	74.4	64.4	 15.5
Operating result for the year	86.8	35.6	 143.8
Net operating result before capital grants and contributions	31.0	(10.5)	 395.2

Rates and annual charges revenue (\$180.5 million) increased by \$8.4 million (4.9 per cent) in 2018–2019. Council applied the Independent Pricing and Regulatory Tribunal (IPART) rate peg of 2.3 per cent which resulted in an overall increase to rate revenue. There were also increases to the number of rateable properties mainly due to increase in subdivisions. Annual Charges also increased by approximately \$3.0 million because of increase in Domestic waste management services.

Grants and contributions revenue (\$74.4 million) increased by 15.5 per cent in 2018–2019 due to the receipt of stronger communities' fund capital grant of \$16.0 million. These grants were utilised for the delivery of major project infrastructure and community grants.

Council's operating result of \$86.8 million (including the effect of depreciation and amortisation expense of \$42.1 million) was \$51.2 million higher than the 2017–18 result. The increase is attributable to increase in capital grants and increase in net gains on disposals.

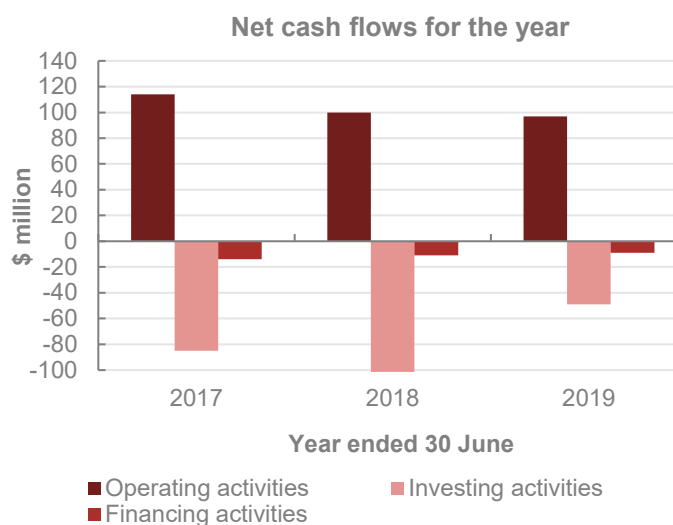
The net operating result before capital grants and contributions was a surplus of \$31.0 million. This was an improvement to the \$10.5 million deficit reported in 2017–18. Reasons for the ratio's improvement have been reported above. Additionally, there was a reduction to bad debts (primarily Hornsby write off), with only \$3.5 million written off in the current year compared to \$10.3 million in 2017–18.

## STATEMENT OF CASH FLOWS

The Council's cash and cash equivalents balance at 30 June 2019 was \$55.9 million. The net cash flow for the year was an increase of \$38.4 million.

The overall improvement to cash flows in 2018–19 was due to less purchases of investment securities in 2018–19 in investing activities (approximately \$54.0 million).

The council also repaid \$9 million of borrowings in the current year compared to \$10.8 million in the prior year.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	246.6	165.9	<ul style="list-style-type: none"> <li>Externally restricted cash and investments is mainly comprised of development contributions, proceeds received from the sale of Museum of Applied Arts and Sciences (MAAS) site, specific purpose unexpended grants and domestic waste management</li> <li>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 (\$129.1 million), employees leave entitlements (\$5.5 million), urgent ward works (\$2.6 million), asset renewal reserve (\$0.7 million) and other (0.6 million). Property and significant asset reserves represent the funds accumulated from the sale of property, such as Parramatta Square development sites</li> <li>Unrestricted cash and investments provide liquidity for day-to-day operations.</li> </ul>
Internal restrictions	138.5	104.4	
Unrestricted	44.2	66.3	
<b>Cash and investments</b>			

### Debt

The Council had borrowings of \$39.4 million at 30 June 2019. Council continued to repay its loan during the period (\$9 million). As at reporting date, the Council had a current borrowing of \$8.7 million.

## PERFORMANCE

### Operating performance ratio

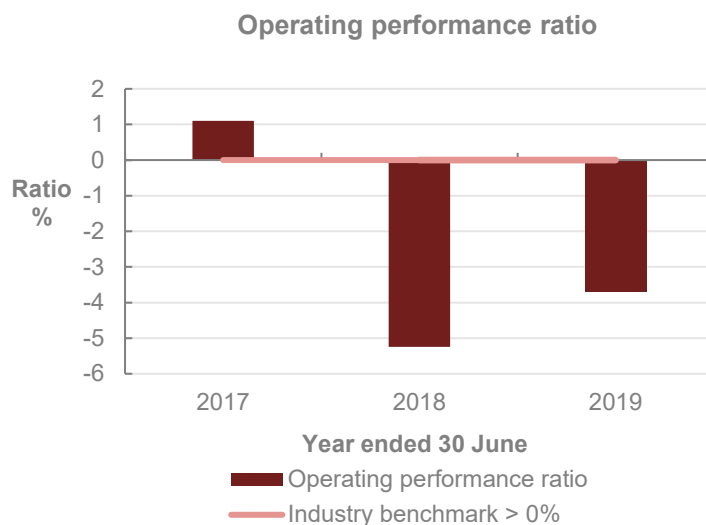
Council's operating performance ratio for the period was negative 3.7, which was below the industry benchmark of greater than zero per cent.

The ratio improved comparing to the prior financial year where negative 5.2 per cent was reported.

The ratio was impacted by:

- section 7.11 Hornsby write off \$3.5 million
- increase in rates and annual charges of \$8.4 million
- restructure costs including termination costs of \$2.1 million

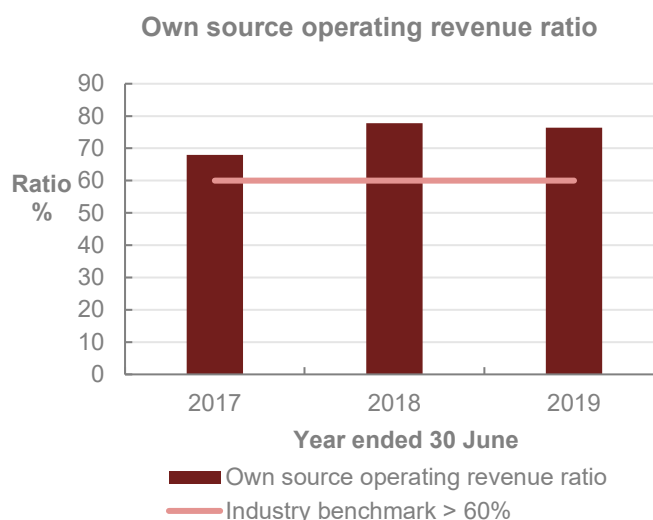
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Own source operating revenue ratio

Council's own source operating revenue ratio of 76.4 per cent reflected a low level of reliance on externally sourced revenue. The ratio remains above the benchmark (60 per cent). The ratio decreased by 1.5 per cent compared to the prior year.

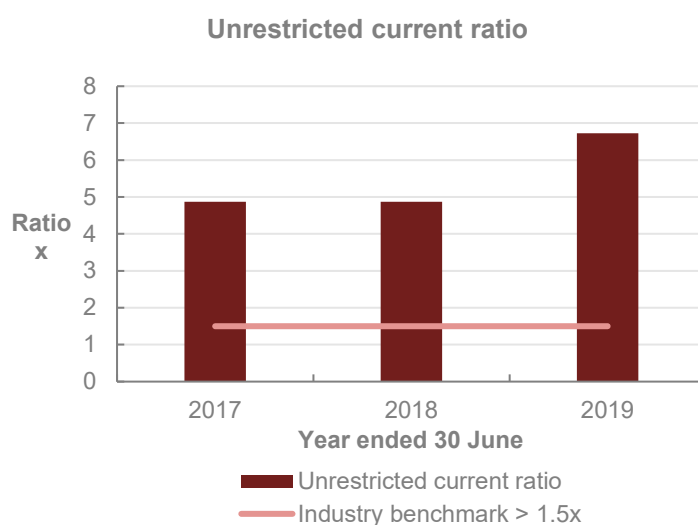
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



## Unrestricted current ratio

This ratio indicated that Council currently had \$6.7 of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This exceeded the industry benchmark and comparatively increased, indicating a sound liquidity position. The improvement in the ratio is mainly due to an increase in cash and receivables from the sale of the MAAS site.

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 the former OLG is greater than 1.5 times.

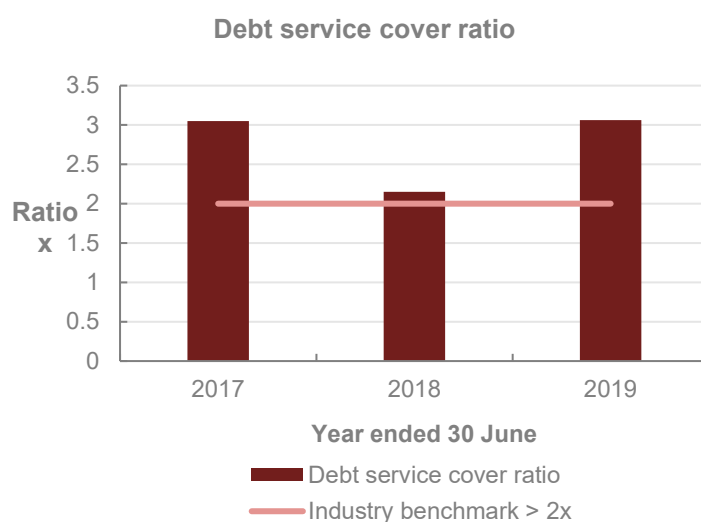


## Debt service cover ratio

Council's debt service cover ratio of 3.1 was above the industry benchmark of above 2.0.

The ratio improved by 0.9 compared to the prior year due to improved operating results and slight decrease in borrowing costs.

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

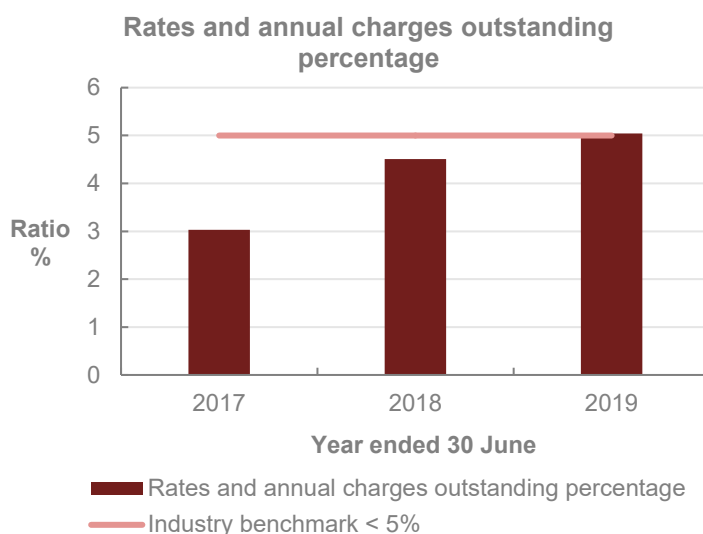


## Rates and annual charges outstanding percentage

The ratio is outside the OLG benchmark of less than 5 per cent, coming in at 5.0 per cent.

The ratio deteriorated compared to prior year mainly due to the Council not pursuing any debtors associated with post-amalgamation areas. Management have advised that similar to the prior year, the data verification process is still on-going.

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 5 per cent for metro councils.

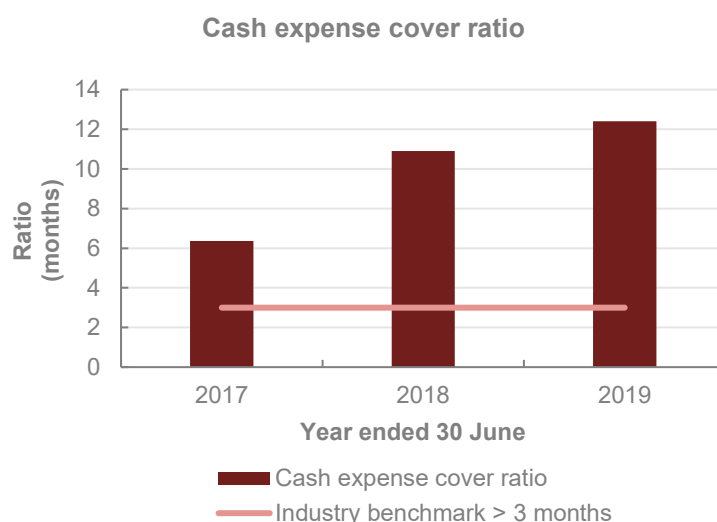


## Cash expense cover ratio

Council's cash expense cover ratio of 12.4 well exceeded the benchmark of greater than three months.

The improvement was due to higher cash reserves acquired from the sale of MAAS site, Parramatta Square and Financial Assistance Grant of \$4.7 million received in advance in June 2019.

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 the former OLG is greater than three months.



## Infrastructure, property, plant and equipment renewals (unaudited)

The Council's building and infrastructure renewals ratio of 59.2 per cent (111.19 per cent in the prior year) which was well below the industry benchmark of greater than 100 per cent. This indicated the Council's infrastructure renewal program did not sufficiently renew assets at a greater rate than they were depreciating. The following impacted the renewal ratio:

- one off impairment of non-specialised buildings of \$7.4 million due to lack of valuation reserve
- lower number of renewal projects capitalised in the 2018–19 financial year.

The Council will need to work on ensuring it matches the required expenditure for asset renewals with the actual condition assessment of the assets through its asset management program.

## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"><li>• a simplified model for classifying and measuring financial assets</li><li>• a new method for calculating impairment</li><li>• a new type of hedge accounting that more closely aligns with risk management.</li></ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 18.</p>

### 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 statements. The Council's:

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



Min Lee  
A/Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Brett Newman, Chief Executive Officer  
Dr. Col Gellatly (AO), Chair of Audit, Risk and Improvement Committee  
Jim Betts, Secretary of the Department of Planning, Industry and Environment





City of Parramatta Council

# Special Purpose Financial Statements

for the year ended 30 June 2019



**CITY OF  
PARRAMATTA**

## Special Purpose Financial Statements

for the year ended 30 June 2019

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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).

## Special Purpose Financial Statements

for the year ended 30 June 2019

### 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:

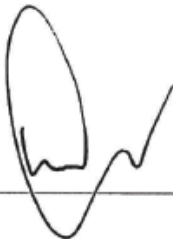
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

To the best of our knowledge and belief, these 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.

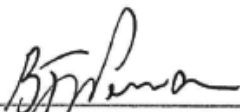
Signed in accordance with a resolution of Council made on 28 October 2019.



Bob Dwyer  
Lord Mayor  
28 October 2019



Michelle Garrard  
Deputy Lord Mayor  
28 October 2019



Brett Newman  
Chief Executive Officer  
28 October 2019



Alistair Cochrane  
Responsible Accounting Officer  
28 October 2019

## Income Statement – Car park operations

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>Income from continuing operations</b>		
User charges	12,856	12,517
<b>Total income from continuing operations</b>	<b>12,856</b>	<b>12,517</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	432	453
Materials and contracts	1,630	1,680
Depreciation, amortisation and impairment	1,111	1,137
Calculated taxation equivalents	2,608	3,506
Other expenses	1,397	2,001
<b>Total expenses from continuing operations</b>	<b>7,178</b>	<b>8,777</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>5,678</b>	<b>3,740</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,561)	(1,122)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>4,117</b>	<b>2,618</b>
<b>Plus accumulated surplus</b>	<b>226,292</b>	<b>219,046</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	2,608	3,506
– Corporate taxation equivalent	1,561	1,122
<b>Closing accumulated surplus</b>	<b>234,578</b>	<b>226,292</b>
<b>Return on capital %</b>	<b>3.7%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>2,821</b>

# Income Statement – Leasing of Council property

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>Income from continuing operations</b>		
Rental revenue	499	392
<b>Total income from continuing operations</b>	<b>499</b>	<b>392</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	419	356
Materials and contracts	12	19
Revaluation decrements loss	1,570	–
Depreciation, amortisation and impairment	118	163
Calculated taxation equivalents	374	712
Other expenses	60	66
<b>Total expenses from continuing operations</b>	<b>2,553</b>	<b>1,316</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(2,054)</b>	<b>(924)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(2,054)</b>	<b>(924)</b>
<b>Plus accumulated surplus</b>	<b>41,164</b>	<b>41,376</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	374	712
<b>Closing accumulated surplus</b>	<b>39,484</b>	<b>41,164</b>
<b>Return on capital %</b>	<b>(101.2)%</b>	<b>(2.3)%</b>
<b>Subsidy from Council</b>	<b>2,118</b>	<b>2,066</b>

## Statement of Financial Position – Car park operations

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
<b>ASSETS</b>		
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	154,294	235,185
<b>Total non-current assets</b>	<b>154,294</b>	<b>235,185</b>
<b>TOTAL ASSETS</b>	<b>154,294</b>	<b>235,185</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables-due to general fund	2,533	8,848
Provisions	64	45
<b>Total current liabilities</b>	<b>2,597</b>	<b>8,893</b>
<b>TOTAL LIABILITIES</b>	<b>2,597</b>	<b>8,893</b>
<b>NET ASSETS</b>	<b>151,697</b>	<b>226,292</b>
<b>EQUITY</b>		
Accumulated surplus	234,578	226,292
Distribution to Council (equity)	(97,948)	–
Revaluation reserve	15,067	–
<b>TOTAL EQUITY</b>	<b>151,697</b>	<b>226,292</b>

# Statement of Financial Position – Leasing of Council property

for the year ended 30 June 2019

\$ '000	2019 Category 2	2018 Category 2
<b>ASSETS</b>		
<b>Non-current assets</b>		
Receivables – due from general fund	327	307
Infrastructure, property, plant and equipment	2,030	40,945
<b>Total non-current assets</b>	<b>2,357</b>	<b>41,252</b>
<b>TOTAL ASSETS</b>	<b>2,357</b>	<b>41,252</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Provisions	57	47
<b>Total current liabilities</b>	<b>57</b>	<b>47</b>
<b>Non-current liabilities</b>		
Provisions	42	41
<b>Total non-current liabilities</b>	<b>42</b>	<b>41</b>
<b>TOTAL LIABILITIES</b>	<b>99</b>	<b>88</b>
<b>NET ASSETS</b>	<b>2,258</b>	<b>41,164</b>
<b>EQUITY</b>		
Accumulated surplus	39,484	41,164
Distribution to Council (equity)	(37,226)	–
<b>TOTAL EQUITY</b>	<b>2,258</b>	<b>41,164</b>

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

### Note 1. Significant Accounting Policies

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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 2005*, 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

To generate income for the Council through operations of car parking facilities.

##### Category 2

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

##### Leasing of Council Property

To generate income for the Council through the leasing of Council-owned shops, buildings.

#### Monetary amounts

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



## Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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#### (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 – **27.5%**

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

#### 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 27.5%.

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 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### Local government rates and charges

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

#### Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

#### (ii) Subsidies

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

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

### Note 1. Significant Accounting Policies (continued)

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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:

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**Operating result before capital income + interest expense**

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**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 1.32% at 30/6/19.

#### (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 statements**

#### **City of Parramatta Council**

To the Councillors of the City of Parramatta Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) 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 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies 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 statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, 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 – update number 27 (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 Statements' 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 statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

## **Other Information**

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee  
A/ Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY



City of Parramatta Council

# Special Schedules

for the year ended 30 June 2019



**CITY OF  
PARRAMATTA**

## Special Schedules

for the year ended 30 June 2019

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## Permissible income for general rates

for the year ended 30 June 2020

		2019/20 Former Parra- matta City Council	2019/20 Former Hills Shire Council	2019/20 Former Auburn City Council	2019/20 Former Hornsby Shire Council	2019/20 Former Holroyd City Council	2019/20 City of Parra- matta Council	2018/19 Former Parra- matta City Council	2018/19 Former Hills Shire Council	2018/19 Former Auburn City Council	2018/19 Former Hornsby Shire Council	2018/19 Former Holroyd City Council	2018/19 City of Parra- matta Council
\$ '000													
<b>Notional general income calculation <sup>1</sup></b>													
Last year notional general income yield	a	102,260	11,473	14,760	11,311	1,443	141,247	98,482	11,131	13,608	10,449	1,349	135,019
Plus or minus adjustments <sup>2</sup>	b	2,025	268	759	460	3	3,515	1,486	95	821	609	—	3,011
<b>Notional general income</b>	c = a + b	<b>104,285</b>	<b>11,741</b>	<b>15,519</b>	<b>11,771</b>	<b>1,446</b>	<b>144,762</b>	<b>99,968</b>	<b>11,226</b>	<b>14,429</b>	<b>11,058</b>	<b>1,349</b>	<b>138,030</b>
<b>Permissible income calculation</b>													
Special variation percentage	d	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	0.00%	7.00%	
Or rate peg percentage	e	2.70%	2.70%	2.70%	2.70%	2.70%		2.30%	2.30%	2.30%	2.30%	0.00%	
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
Or plus rate peg amount	i = e x (c + g)	2,816	317	419	318	39	3,909	2,299	258	332	254	—	3,143
Or plus Crown land adjustment and rate peg amount	j = f x (c + g)	—	—	—	—	—	—	—	—	—	—	—	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>107,101</b>	<b>12,058</b>	<b>15,938</b>	<b>12,089</b>	<b>1,485</b>	<b>148,671</b>	<b>102,267</b>	<b>11,484</b>	<b>14,761</b>	<b>11,312</b>	<b>1,443</b>	<b>141,267</b>
Plus (or minus) last year's carry forward total	l	103	(220)	146	(14)	51	66	96	(231)	160	(15)	51	61
<b>Sub-total</b>	n = (l + m)	<b>103</b>	<b>(220)</b>	<b>146</b>	<b>(14)</b>	<b>51</b>	<b>66</b>	<b>96</b>	<b>(231)</b>	<b>160</b>	<b>(15)</b>	<b>51</b>	<b>61</b>
<b>Total permissible income</b>	o = k + n	<b>107,204</b>	<b>11,838</b>	<b>16,084</b>	<b>12,075</b>	<b>1,536</b>	<b>148,737</b>	<b>102,363</b>	<b>11,253</b>	<b>14,921</b>	<b>11,297</b>	<b>1,494</b>	<b>141,328</b>
Less notional general income yield	p	107,082	12,058	15,938	12,089	1,483	148,650	102,260	11,473	14,760	11,311	1,443	141,247
<b>Catch-up or (excess) result</b>	q = o – p	<b>122</b>	<b>(220)</b>	<b>146</b>	<b>(14)</b>	<b>53</b>	<b>87</b>	<b>103</b>	<b>(220)</b>	<b>161</b>	<b>(14)</b>	<b>51</b>	<b>81</b>
Less unused catch-up <sup>4</sup>	s	(97)	—	(146)	—	(51)	(294)	—	—	(15)	—	—	(15)
<b>Carry forward to next year <sup>5</sup></b>	t = q + r + s	<b>25</b>	<b>(220)</b>	<b>—</b>	<b>(14)</b>	<b>2</b>	<b>(207)</b>	<b>103</b>	<b>(220)</b>	<b>146</b>	<b>(14)</b>	<b>51</b>	<b>66</b>

(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.



Permissible income for general rates (continued)  
for the year ended 30 June 2019

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- (4) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (5) 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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule - 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 – Permissible income for general rates (the Schedule) of City of Parramatta Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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 has 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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to 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 Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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.

## 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](http://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.

A handwritten signature in black ink, appearing to read 'SML'.

Min Lee  
A/ Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

29 October 2019  
SYDNEY

## Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
<b>Buildings</b>	Buildings	1,758	6,415	13,354	14,537	176,668	240,190	41.6%	44.3%	11.4%	2.4%	0.3%
	<b>Sub-total</b>	<b>1,758</b>	<b>6,415</b>	<b>13,354</b>	<b>14,537</b>	<b>176,668</b>	<b>240,190</b>	<b>41.6%</b>	<b>44.3%</b>	<b>11.4%</b>	<b>2.4%</b>	<b>0.3%</b>
<b>Other structures</b>	Other structures	–	–	–	–	14,369	21,968	64.0%	26.0%	10.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>14,369</b>	<b>21,968</b>	<b>64.0%</b>	<b>26.0%</b>	<b>10.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Roads</b>	Roads (including kerb and gutter and traffic management devices)	7,837	25,561	12,063	11,907	926,187	1,213,721	30.0%	43.8%	24.0%	1.6%	0.6%
	Bridges	–	–	60	36	69,794	100,819	2.1%	97.9%	0.0%	0.0%	0.0%
	Footpaths	668	2,576	2,678	2,370	138,377	190,466	5.9%	40.5%	52.2%	1.3%	0.1%
	Bulk earthworks	–	–	–	–	104,029	104,029	100.0%	0.0%	0.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>8,505</b>	<b>28,137</b>	<b>14,801</b>	<b>14,313</b>	<b>1,238,387</b>	<b>1,609,035</b>	<b>29.9%</b>	<b>44.0%</b>	<b>24.3%</b>	<b>1.4%</b>	<b>0.4%</b>

## Report on Infrastructure Assets (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance <sup>a</sup>	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Stormwater drainage	Stormwater drainage	18,175	42,311	3,302	3,010	224,058	367,305	13.7%	42.7%	32.1%	3.2%	8.4%
	<b>Sub-total</b>	<b>18,175</b>	<b>42,311</b>	<b>3,302</b>	<b>3,010</b>	<b>224,058</b>	<b>367,305</b>	<b>13.7%</b>	<b>42.7%</b>	<b>32.1%</b>	<b>3.2%</b>	<b>8.3%</b>
Open space / recreational assets	Swimming pools	—	—	—	—	1,001	1,512	68.2%	19.0%	12.8%	0.0%	0.0%
	Other open space assets	845	3,095	18,709	18,231	41,695	67,414	32.5%	26.9%	36.0%	4.2%	0.4%
	<b>Sub-total</b>	<b>845</b>	<b>3,095</b>	<b>18,709</b>	<b>18,231</b>	<b>42,696</b>	<b>68,926</b>	<b>33.3%</b>	<b>26.7%</b>	<b>35.5%</b>	<b>4.1%</b>	<b>0.4%</b>
<b>TOTAL - ALL ASSETS</b>		<b>29,283</b>	<b>79,958</b>	<b>50,166</b>	<b>50,091</b>	<b>1,696,178</b>	<b>2,307,424</b>	<b>29.0%</b>	<b>43.1%</b>	<b>24.4%</b>	<b>1.8%</b>	<b>1.7%</b>

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

### Infrastructure asset condition assessment 'key'

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

## Report on Infrastructure Assets (continued)

as at 30 June 2019

	Amounts	Indicator	Prior period	Benchmark
\$ '000	2019	2019	2018	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio <sup>1</sup>				
Asset renewals <sup>2</sup>	24,667	59.17%	111.19%	>=100.00%
Depreciation, amortisation and impairment	41,686			
Infrastructure backlog ratio <sup>1</sup>				
Estimated cost to bring assets to a satisfactory standard	29,283	1.73%	1.93%	<2.00%
Net carrying amount of infrastructure assets	1,696,178			
Asset maintenance ratio				
Actual asset maintenance	50,091	99.85%	95.80%	>100.00%
Required asset maintenance	50,166			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	79,958	3.47%	3.63%	
Gross replacement cost	2,307,424			

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

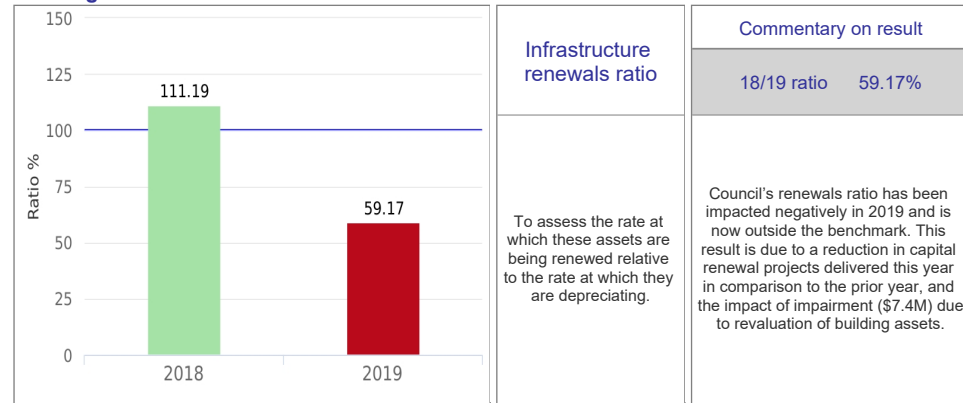
(1) Excludes Work In Progress (WIP)

(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.

# Report on Infrastructure Assets (continued)

as at 30 June 2019

## Buildings and infrastructure renewals ratio <sup>1</sup>



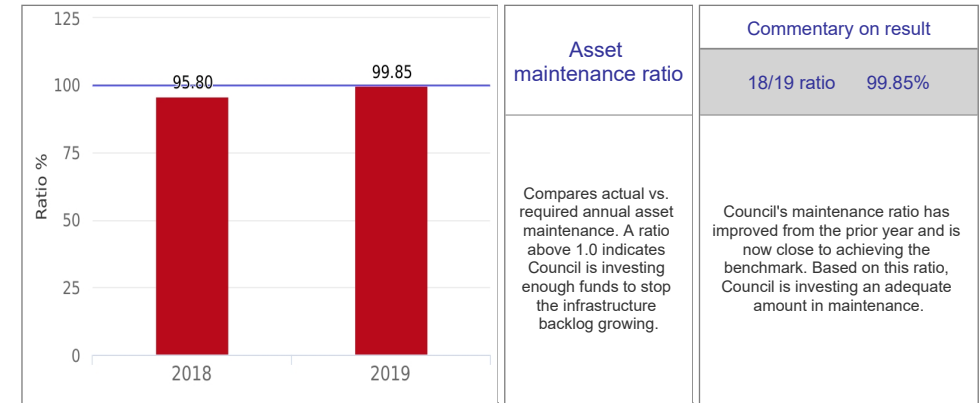
Benchmark: — >= 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Asset maintenance ratio



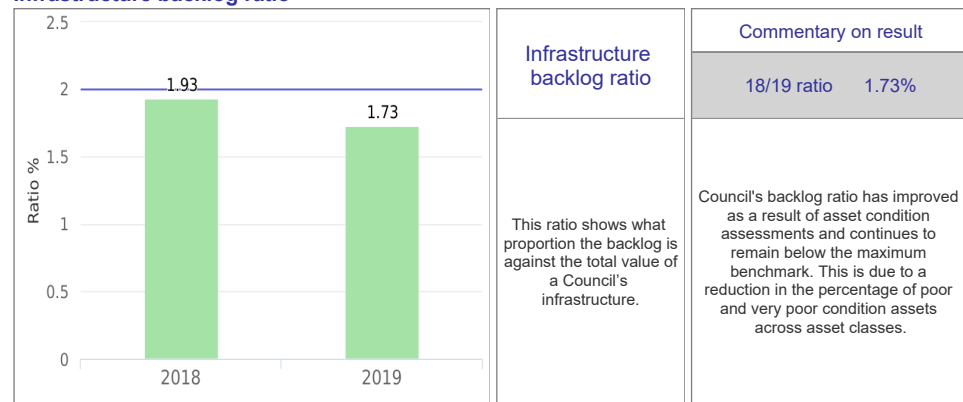
Benchmark: — > 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Infrastructure backlog ratio <sup>1</sup>



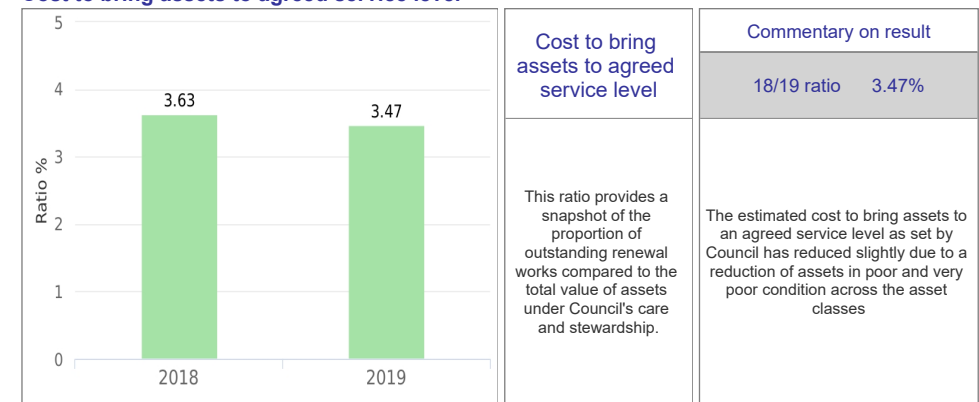
Benchmark: — < 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

## Cost to bring assets to agreed service level



(1) Excludes Work In Progress (WIP)