

General Purpose Financial Statements

for the year ended 30 June 2020



**CITY OF
PARRAMATTA**

General Purpose Financial Statements

for the year ended 30 June 2020

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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.

City of Parramatta Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their council 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 2020. 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 Council's net operating result and 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 ended 30 June 2020 (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 Audit Office of NSW.

In NSW, the auditor provides two audit reports.

1. An opinion on whether the financial statements present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended, in accordance with Australian Accounting Standards
2. Their observations on the Conduct of the Audit for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act.

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.

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements (continued)

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 2020

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:

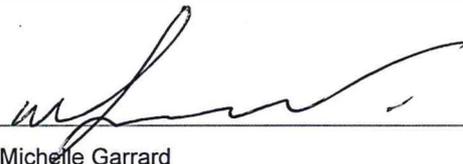
- present fairly the Council's operating result and financial position for the year ended 30 June 2020
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 October 2020.



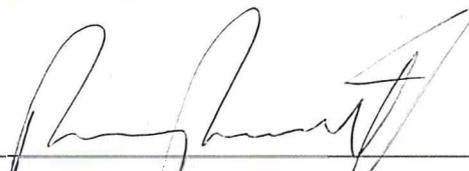
Bob Dwyer
Lord Mayor
26 October 2020



Michelle Garrard
Deputy Lord Mayor
26 October 2020



Brett Newman
Chief Executive Officer
26 October 2020



Paul Perrett
Responsible Accounting Officer
26 October 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Income from continuing operations				
187,423	Rates and annual charges	3a	189,335	180,547
40,361	User charges and fees	3b	35,824	39,126
13,094	Other revenues	3c	11,132	14,051
18,711	Grants and contributions provided for operating purposes	3d,3e	21,582	18,651
76,358	Grants and contributions provided for capital purposes	3d,3e	50,173	55,759
13,541	Interest and investment income	4	11,695	13,564
–	Net gain from the disposal of assets	6	3,773	45,553
3,741	Rental income	13e	3,744	–
800	Net share of interests in joint ventures and associates using the equity method	18	563	508
354,029	Total income from continuing operations		327,821	367,759
Expenses from continuing operations				
120,870	Employee benefits and on-costs	5a	120,935	117,563
1,805	Borrowing costs	5b	2,608	2,269
60,365	Materials and contracts	5c	58,091	62,312
43,781	Depreciation and amortisation	5d	45,390	43,084
44,489	Other expenses	5e	42,841	49,322
2,500	Net loss from the disposal of assets	6	–	–
–	Revaluation decrement /impairment of Infrastructure, Property, Plant, and Equipment (IPP&E)	5d	–	7,413
273,810	Total expenses from continuing operations		269,865	281,963
80,219	Net operating result for the year		57,956	85,796
3,861	Net operating result for the year before grants and contributions provided for capital purposes		7,783	30,037

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

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations. However, the Council has restated some comparative amounts to correct certain errors from prior years which were identified this year. Details of the restatements are set out in Note 16.

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	Restated 2019
Net operating result for the year (as per Income Statement)		57,956	85,796
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10	250,324	51,290
Re-measurement of remediation liability for asbestos contamination	15	(12,022)	(6,201)
Total items which will not be reclassified subsequently to the operating result		238,302	45,089
Total other comprehensive income for the year		238,302	45,089
Total comprehensive income for the year		296,258	130,885

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

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations. However, the Council has restated some comparative amounts to correct certain errors from prior years which were identified this year. Details of the restatements are set out in Note 16.

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	Restated 2019	Restated 1 July 2018
ASSETS				
Current assets				
Cash and cash equivalents	7a	57,045	16,458	17,446
Investments	7b	188,574	166,426	133,355
Receivables	8	41,784	117,821	26,031
Inventories		106	92	82
Prepayments		1,416	1,077	241
Current assets classified as 'held for sale'	9	–	97,430	122,230
Total current assets		<u>288,925</u>	<u>399,304</u>	<u>299,385</u>
Non-current assets				
Investments	7b	309,095	246,504	185,701
Receivables	8	107,888	38,511	23,652
IPP&E	10	2,870,736	2,593,437	2,648,352
Intangible assets	11	4,156	2,495	2,268
Right of use assets	13a	29,170	–	–
Investments accounted for using the equity method	18	6,095	6,656	6,148
Total non-current assets		<u>3,327,140</u>	<u>2,887,603</u>	<u>2,866,121</u>
Total assets		<u>3,616,065</u>	<u>3,286,907</u>	<u>3,165,506</u>
LIABILITIES				
Current liabilities				
Payables	14	36,597	35,065	32,144
Income received in advance	14	–	4,395	13,246
Contract liabilities	12	5,114	–	–
Lease liabilities	13b	3,797	–	–
Borrowings	14	8,981	8,748	9,035
Provisions	15	40,870	36,140	30,644
Total current liabilities		<u>95,359</u>	<u>84,348</u>	<u>85,069</u>
Non-current liabilities				
Payables	14	457	597	738
Lease liabilities	13b	24,319	–	–
Borrowings	14	21,687	30,668	39,416
Provisions	15	11,288	3,737	3,611
Total non-current liabilities		<u>57,751</u>	<u>35,002</u>	<u>43,765</u>
Total liabilities		<u>153,110</u>	<u>119,350</u>	<u>128,834</u>
Net assets		<u>3,462,955</u>	<u>3,167,557</u>	<u>3,036,672</u>
EQUITY				
Accumulated surplus	16	3,109,606	3,052,510	2,966,588
Revaluation reserves		353,349	115,047	70,084
Council equity interest		<u>3,462,955</u>	<u>3,167,557</u>	<u>3,036,672</u>
Total equity		<u>3,462,955</u>	<u>3,167,557</u>	<u>3,036,672</u>

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

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations. However, the Council has restated some comparative amounts to correct certain errors from prior years which were identified this year. Details of the restatements are set out in Note 16.

Statement of Changes in Equity

for the year ended 30 June 2020

	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation surplus	Total equity	Accumulated surplus Restated	IPP&E revaluation surplus Restated	Total equity Restated
\$ '000							
Opening balance		3,052,510	115,047	3,167,557	2,893,490	70,084	2,963,574
Correction of prior period errors	16b	–	–	–	73,098	–	73,098
Changes due to AASB 1058 and AASB 15 adoption	16	(2,964)	–	(2,964)	–	–	–
Changes due to AASB 16 adoption (make good provision)		2,104	–	2,104	–	–	–
Restated opening balance		3,051,650	115,047	3,166,697	2,966,588	70,084	3,036,672
Net operating result for the year		57,956	–	57,956	85,796	–	85,796
Other comprehensive income							
– Gain on revaluation of IPP&E	10	–	250,324	250,324	–	51,290	51,290
– Adjustment to community land revaluation reserve for asbestos contamination		–	(12,022)	(12,022)	–	(6,201)	(6,201)
Other comprehensive income		–	238,302	238,302	–	45,089	45,089
Total comprehensive income		57,956	238,302	296,258	85,796	45,089	130,885
Transfers between equity items		–	–	–	126	(126)	–
Equity – balance at end of the reporting period		3,109,606	353,349	3,462,955	3,052,510	115,047	3,167,557

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

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations. However, the Council has restated some comparative amounts to correct certain errors from prior years which were identified this year. Details of the restatements are set out in Note 16.

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Restated Actual 2019
Cash flows from operating activities				
Receipts:				
187,423	Rates and annual charges		184,794	185,899
40,361	User charges and fees		39,293	43,659
13,541	Investment and interest revenue received		11,657	10,331
94,844	Grants and contributions		66,439	78,017
–	Bonds, deposits and retention amounts received		2,315	2,824
16,835	Other		28,098	40,966
Payments:				
(120,870)	Employee benefits and on-costs		(120,006)	(115,614)
(60,365)	Materials and contracts		(63,955)	(68,471)
(1,805)	Borrowing costs		(2,652)	(2,824)
–	Bonds, deposits and retention amounts refunded		(1,455)	(2,945)
(44,489)	Other		(56,069)	(74,416)
125,475	Net cash provided from (or used in) operating activities	17b	88,459	97,426
Cash flows from investing activities				
Receipts:				
32,540	Sale of investment securities		263,759	251,991
42,055	Sale of infrastructure, property, plant and equipment		147,212	84,087
–	Contributions received from joint ventures and associates		1,124	–
Payments:				
–	Purchase of investment securities		(348,349)	(343,749)
(191,322)	Purchase of infrastructure, property, plant and equipment		(96,786)	(80,605)
–	Purchase of intangible assets		(2,464)	(1,103)
(116,727)	Net cash provided from (or used in) investing activities		(35,504)	(89,379)
Cash flows from financing activities				
Payments:				
(8,748)	Repayment of borrowings and advances		(8,749)	(9,035)
–	Lease liabilities (principal repayments)		(3,619)	–
(8,748)	Net cash flow provided from (or used in) financing activities		(12,368)	(9,035)
–	Net increase/(decrease) in cash and cash equivalents		40,587	(988)
16,458	Plus: cash and cash equivalents – beginning of year	17a	16,458	17,446
16,458	Cash and cash equivalents – end of the year	17a	57,045	16,458

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

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These Financial Statements were authorised for issue by Council on 26 October 2020. Council has the power to amend and reissue these Financial Statements in cases where critical information is received from public submissions or where the Office of Local Government directs Council to amend the 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 (except where amounts are shown in text).

Unless otherwise indicated, all amounts disclosed in the Financial Statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to corresponding actual amounts) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 22 – Material budget variations

New accounting standards adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated Financial Statement disclosures can be found at Note 16.

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.

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 10
- (ii) Employee benefit provisions – refer Note 15.
- (iii) Asbestos removal provision – refer Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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 8.

Monies and other assets received by Council

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.

Volunteer services

Council has more than 800 volunteers who work across several Council departments including bush care, park committees, community care, cultural heritage and tourism, and library services. Their services are vital to the success of Parramatta, with many Council programs and initiatives relying heavily on assistance from local volunteers. The total volunteer services provided for the year ended 30 June 2020 is \$319,940. Council has elected to not recognise volunteer services in the income statement as the total amount of services donated, while can be reliably measured, is not material.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

These standards include:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of *AASB 1059*

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of *AASB 1059*

AASB 2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

AASB 2015-10 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

Council does not expect any material impact to future Financial Statements from *AASB 1059*, *AASB 2018-5*, and *AASB 2019-2* as it does not generally enter into service concession arrangements.

The standard amendments in *AASB 2014-10*, *AASB 2015-10*, and *AASB 2017-5* address an acknowledged inconsistency between the requirements in *AASB 10* and those in *AASB 128 (2011)* in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

These amendments will only impact Council where there has been a sale or contribution of assets between Council and any Joint Venture or Associate.

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.

Council has elected not to apply any of these pronouncements in these Financial Statements before their operative dates.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

As at the date of authorisation of these Financial Statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future Financial Statements, financial position, financial performance or cash flows.

Notes to the Financial Statements

for the year ended 30 June 2020

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		Net Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Corporate Services	172,807	208,853	40,285	88,987	132,522	119,866	9,397	24,983	761,758	607,932
City Engagement and Experience	577	738	19,625	20,432	(19,048)	(19,694)	69	203	2,995	2,535
Executive Office	3,832	8	11,330	4,077	(7,498)	(4,069)	3,204	–	6,371	6,788
Property & Place	43,594	21,715	20,508	4,617	23,086	17,098	2,167	616	–	97,430
City Assets and Operations	41,150	78,042	126,226	106,908	(85,076)	(28,866)	4,712	5,123	2,390,250	2,111,379
Community Services	13,359	16,248	32,494	30,647	(19,135)	(14,399)	2,247	2,132	444,388	451,196
City Planning and Design	52,502	42,155	19,397	26,295	33,105	15,860	5,445	7,550	10,303	9,647
Total functions and activities	327,821	367,759	269,865	281,963	57,956	85,796	27,241	40,607	3,616,065	3,286,907

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Corporate Service

- Corporate Administration
- ICT – Information Communication & Technology
- People and Culture
- Governance
- Legal Services
- Finance

City Engagement and Experience

- Customer Contact Centre
- City Experience
- City Experience and Engagement Administration
- City Identity
- City Engagement

Executive Office

- Executive Support Office
- General Management Support
- City Strategy

Property & Place

- Civic Place Precinct Redevelopment
- Property and Place Administration
- Property Development Group Projects
- Place Services
- Property, Security, Assets & Services

City Assets and Operations

- Regulatory
- City Operations
- City Assets & Environment

Community Services

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

City Planning and Design

- Development & Traffic Services
- City Design
- City Planning
- City Planning and Design Admin

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	85,858	81,876
Business	1058 (1)	56,467	54,275
Less: pensioner rebates (mandatory)		(1,333)	(1,334)
Less: pensioner rebates (Council policy)		(447)	(448)
Rates levied to ratepayers		140,545	134,369
Pensioner rate subsidies received	1058 (1)	766	863
Total ordinary rates		141,311	135,232
Special rates			
Open space	1058 (1)	2,335	2,260
CBD infrastructure	1058 (1)	2,253	2,093
Suburban infrastructure	1058 (1)	1,760	1,713
Economic development	1058 (1)	796	764
Other	1058 (1)	711	688
Rates levied to ratepayers		7,855	7,518
Total special rates		7,855	7,518
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501, & s.611)</small>			
Domestic waste management services	1058 (1)	37,414	35,117
Stormwater levy	1058 (1)	1,834	–
Other	1058 (1)	1,355	3,082
Less: pensioner rebates (mandatory)		(514)	(517)
Less: pensioner rebates (Council policy)		(175)	(173)
Annual charges levied		39,914	37,509
Pensioner subsidies received:			
– Domestic waste management	1058 (1)	255	288
Total annual charges		40,169	37,797
TOTAL RATES AND ANNUAL CHARGES		189,335	180,547

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under *AASB 15* “at a point in time”,
- 15 (2)** indicates income recognised under *AASB 15* “over time”,
- 1058 (1)** indicates income recognised under *AASB 1058* “at a point in time”, while
- 1058 (2)** indicates income recognised under *AASB 1058* “over time”.

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 which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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.

\$ '000	AASB	2020	2019
(b) User charges and fees			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	3,618	3,439
Road opening permits	15 (1)	1,239	995
Construction zone fees	15 (1)	1,146	1,263
Road occupancy fees	15 (1)	559	494
Hoarding fees	15 (1)	538	886
Section 10.7 certificates (EP&A Act)	15 (1)	497	445
Food premises licences	15 (1)	487	670
Section 603 certificates	15 (1)	387	280
Development advertising fees	15 (1)	379	376
Annual fire safety statement fees	15 (1)	363	347
Subdivision release fees	15 (1)	219	243
Tower crane application fees	15 (1)	186	217
Section 611 charges	15 (1)	161	170
Vehicle crossing inspection fees	15 (1)	91	200
Other	15	842	1,059
Total fees and charges – statutory/regulatory		10,712	11,084
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Multi-level parking stations	15 (1)	11,509	12,856
Child care	15 (2)	5,668	5,266
Parking meters	15 (1)	4,062	4,963
Parramatta Riverside Theatre	15 (1)	2,849	2,779
Swimming Centres	15 (2)	580	–
Hall Hire	15 (1)	–	–
Other	15	444	2,178
Total fees and charges – other		25,112	28,042
TOTAL USER CHARGES AND FEES		35,824	39,126

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under *AASB 15* “at a point in time”,

15 (2) indicates income recognised under *AASB 15* “over time”,

1058 (1) indicates income recognised under *AASB 1058* “at a point in time”, while

1058 (2) indicates income recognised under *AASB 1058* “over time”.

Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers. Payment is generally taken upfront, at which point Council recognises a Contract Liability, such as with planning and building assessment fees. Once the

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

assessment or permit is determined or issued, Council can recognise income. When payment is not taken upfront, such as in multi-level parking, the customer is required to pay on arrival.

Refunds are provided based on the work completed by Council to satisfy the performance obligation.

Where an upfront fee is charged such as membership fees for the swimming pools, the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

\$ '000	AASB	2020	2019
(c) Other revenues			
Fines – parking	1058 (1)	7,273	7,243
Rental income – other council properties		–	2,035
Rebates	15 (1)	675	516
Fines – other	1058 (1)	638	483
Legal costs recovered	15 (1)	439	226
Riverside Theatre bar and catering sales	15 (1)	421	382
Outdoor dining rentals	15 (1)	218	314
Sales – general	15 (1)	252	171
Insurance claims recoveries	15 (1)	100	308
Parking meters recognised (previously expensed)	1058 (1)	–	1,350
Other	15	1,116	1,023
TOTAL OTHER REVENUE		11,132	14,051

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under *AASB 15* “at a point in time”,

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1058 (1) indicates income recognised under *AASB 1058* “at a point in time”, while

1058 (2) indicates income recognised under *AASB 1058* “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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

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

General sales are recognised when physical possession has transferred to the customer which is deemed to be the point of

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	3,583	3,557	–	–
Financial assistance – local roads component	1058 (1)	981	1,019	–	–
Payment in advance - future year allocation					
Financial assistance – general component	1058 (1)	3,792	3,687	–	–
Financial assistance – local roads component	1058 (1)	1,042	1,058	–	–
Total general purpose		9,398	9,321	–	–
Specific purpose (tied)					
Operating Grants - NSW Government	1058 (1)	1,410	920	–	–
Transport (roads to recovery)	1058 (1)	1,182	668	–	–
Home support	15 (1)	989	946	–	–
Street lighting	15 (2)	923	905	–	–
Transport (other roads and bridges funding)	1058 (1)	779	718	3,579	1,676
Library	1058 (1)	673	563	–	–
Waste services performance improvement payment	1058 (1)	239	235	–	–
Ministry of the arts	1058 (1)	300	300	–	–
Other – cultural	1058 (1)	–	23	–	–
Stronger communities fund	1058 (1)	–	–	–	16,050
Dept infrastructure planning and natural resources	1058 (1)	1,750	–	2,883	7,349
Parramatta Aquatic Centre	1058 (1)	–	–	1,277	–
Sportsground Improvements	1058 (1)	–	–	1,150	–
Greenspace	1058 (2)	–	–	202	223
Community services	1058 (1)	74	80	–	–
Other	1058 (1)	108	589	325	41
Total specific purpose		8,427	5,947	9,416	25,339
Total Grants		17,825	15,268	9,416	25,339
Total Grants revenue is attributable to:					
– Commonwealth funding		11,298	9,343	2,468	861
– State funding		6,526	5,925	6,948	24,478
– Other funding		1	–	–	–
		17,825	15,268	9,416	25,339

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:**15 (1)** indicates income recognised under *AASB 15* “at a point in time”,**15 (2)** indicates income recognised under *AASB 15* “over time”,**1058 (1)** indicates income recognised under *AASB 1058* “at a point in time”, while**1058 (2)** indicates income recognised under *AASB 1058* “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	37,958	28,277
Total developer contributions – cash			–	–	37,958	28,277
Non-cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	–	259
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	2,448	971
Developer Contributions (VPA)		1058 (1)	–	–	–	–
Total developer contributions non-cash			–	–	2,448	1,230
Total developer contributions	26		–	–	40,406	29,507
Other contributions:						
Cash contributions						
Road restoration contributions		1058 (1)	1,696	600	50	750
Leaseback fees		15 (1)	–	971	–	–
LIRS subsidy		1058 (1)	436	513	–	–
Parks and sporting grounds		1058 (1)	–	–	299	97
National disability contribution		15 (1)	212	182	–	–
Fire Service Levy		1058 (1)	193	–	–	–
Long service leave contributions		1058 (1)	188	80	–	–
Salary sacrifice motor vehicle contributions		15 (1)	164	185	–	–
Paid parental leave		15 (1)	144	203	–	–
Other sponsorship received		1058 (1)	113	228	–	–
Parramatta Catchment Group contributions		1058 (1)	–	192	–	–
Other		1058 (1)	168	229	2	66
Total other contributions – cash			3,314	3,383	351	913
Non-cash contributions						
Developer contributions (VPA)		1058 (1)	443	–	–	–
Total other contributions – non-cash			443	–	–	–
Total contributions			3,757	3,383	40,757	30,420
TOTAL GRANTS AND CONTRIBUTIONS			21,582	18,651	50,173	55,759

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Accounting policy for grants and contributions

Accounting policy from 1 July 2019

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include provision of Home support and installation of street lights. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

Capital grants

Capital grants received to enable Council to acquire or construct an item of IPP&E to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Contributions

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 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

Accounting policy prior to 1 July 2019

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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 below.

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 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – externally restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	3,145	4,703
Add: Operating grants recognised as income in the current period but not yet spent	70	697
Less: operating grants recognised in a previous reporting period now spent (2019 only)	(2,132)	(2,255)
Unexpended and held as externally restricted assets (operating grants)	1,083	3,145
Capital grants		
Unexpended at the close of the previous reporting period	36,109	18,849
Add: capital grants received for the provision of goods and services in a future period	691	23,260
Less: capital grants recognised in a previous reporting period now spent (2019 only)	(8,958)	(6,000)
Unexpended and held as externally restricted assets (capital grants)	27,842	36,109
Contributions		
Unexpended at the close of the previous reporting period	134,131	118,285
Add: contributions received for the provision of goods and services in a future period	41,162	32,326
Less: contributions recognised in a previous reporting period now spent	(38,567)	(16,480)
Unexpended and held as externally restricted assets (contributions)	136,726	134,131

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Cash and investments	10,517	10,854
– Overdue rates and annual charges (incl. special purpose rates)	1,029	592
Fair value adjustments		
– Movements in investments at fair value through profit and loss	149	2,118
Total Interest and investment income	11,695	13,564

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	96,442	89,281
Employee leave entitlements (ELE)	11,364	11,976
Superannuation	10,157	9,533
Agency personnel	4,573	5,296
Employee termination costs	593	2,049
Other	3,104	3,995
Total employee costs	126,233	122,130
Less: capitalised costs	(5,298)	(4,567)
TOTAL EMPLOYEE COSTS EXPENSED	120,935	117,563

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 15 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
Interest on loans	1,805	2,269
Interest on leases	803	–
Total interest bearing liability costs	2,608	2,269
TOTAL BORROWING COSTS EXPENSED	2,608	2,269

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 as incurred.

No borrowing costs were capitalised in the year ended 30 June 2020.

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	7,548	7,166
– consultancies	5,459	5,441
– minor contracts	3,564	3,778
– contractor services	3,495	2,669

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
– bushland management	2,875	2,901
– ICT software maintenance	2,537	2,425
– professional services	2,030	2,251
– multi-level car parks	1,554	1,628
– security external services	1,491	1,794
– external plant and equipment hire	1,467	1,310
– cleaning external services	1,442	3,702
– recycling external services	1,185	3,641
– plant repairs	879	451
– restorations	519	528
– electrical external services	440	496
– public tree maintenance	415	725
– sustainability and waste	285	679
– footpath maintenance	237	480
– garbage external services	113	5,932
– pools repairs	87	78
– contaminated waste removal external services	60	711
– auditors remuneration ¹	215	215
– legal expenses: planning and development	1,026	464
– legal expenses: other	1,344	2,217
– expenses from short-term leases (2020 only)	169	–
– expenses from leases of low value assets (2020 only)	200	–
– variable lease expense relating to usage (2020 only)	12,719	–
Operating leases expense (2019 only):		
– buildings	–	5,797
– computers	–	13
– other	–	159
Other	4,736	4,661
Total materials and contracts	58,091	62,312
TOTAL MATERIALS AND CONTRACTS	58,091	62,312

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

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

Audit and review of current year's financial statements	200	195
Overruns for auditing of prior year financial statements recognised in current year	15	20
Total Auditor-General remuneration	215	215

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019 Restated
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		2,901	2,619
Office equipment		1,085	780
Furniture and fittings		1,835	2,061
Land improvements (depreciable)		623	485
Infrastructure:	10		
– Buildings – non-specialised		2,841	4,413
– Buildings – specialised		494	869
– Other structures		835	632
– Roads		16,500	17,848
– Bridges		1,136	1,135
– Footpaths		2,797	2,697
– Stormwater drainage		4,279	4,263
– Swimming pools		14	38
– Other open space/recreational assets		3,271	3,346
Right of use assets	13	4,858	–
Other assets:			
– Library books		857	818
– Other		259	205
Intangible assets	11	805	875
Total gross depreciation and amortisation costs		<u>45,390</u>	<u>43,084</u>
Total depreciation and amortisation costs		<u>45,390</u>	<u>43,084</u>
Impairment / revaluation decrement of IPP&E			
Infrastructure:	10		
– Buildings – specialised		–	7,413
Total gross IPP&E impairment / revaluation decrement costs / (reversals)		<u>–</u>	<u>7,413</u>
Total IPP&E impairment / revaluation decrement costs / (reversals) charged to Income Statement		<u>–</u>	<u>7,413</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>45,390</u>	<u>50,497</u>

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets and Note 13 for right of use 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.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

\$ '000	2020	2019
(e) Other expenses		
Tipping fees	16,864	16,150
Contributions/levies to other levels of government		
– NSW fire brigade levy	3,278	3,573
– Department of planning levy	379	371
Street lighting	2,798	3,946
Insurance	2,113	2,066
Artists in mall and other artists	1,851	1,957
Parking space levy	1,719	1,681
Computer expenses	1,434	1,832
Advertising	1,378	1,490
Electricity and heating	1,354	1,472
Donations, contributions and assistance to other organisations (Section 356)	1,103	726
Parking – signs	994	1,084
Bad and doubtful debts	–	3,702
Promotions and publicity	870	1,700
Telephone and communications	791	933
Postage	657	705
Water	651	996
Bank charges	648	797
Memberships	534	409
Councillor expenses – councillors' fees	506	584
Councillors' expenses (incl. mayor) – other (excluding fees above)	231	258
Councillor expenses – mayoral fee	110	23
Other	2,578	2,867
Total other expenses	42,841	49,322
TOTAL OTHER EXPENSES	42,841	49,322

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 2020

Note 6. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		3,361	181,304
Less: carrying amount of property assets sold/written off		(23,792)	(132,543)
Net gain/(loss) on disposal		(20,431)	48,761
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		1,594	1,237
Less: carrying amount of plant and equipment assets sold/written off		(1,075)	(832)
Net gain/(loss) on disposal		519	405
Infrastructure			
	10		
Proceeds from disposal – infrastructure		192	–
Less: carrying amount of infrastructure assets sold/written off		(5,727)	(3,613)
Net gain/(loss) on disposal		(5,535)	(3,613)
Investments			
Proceeds from disposal/redemptions/maturities – investments		263,759	251,993
Less: carrying amount of investments sold/redeemed/matured		(263,759)	(251,993)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
	9		
Proceeds from disposal – non-current assets ‘held for sale’		126,649	25,000
Less: carrying amount of ‘held for sale’ assets sold/written off		(97,429)	(25,000)
Net gain/(loss) on disposal		29,220	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		3,773	45,553

Accounting policy for disposal of assets

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

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 de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019 Restated
Cash and cash equivalents		
Cash on hand and at bank	494	4,675
Cash-equivalent assets		
– Deposits at call	56,551	11,783
Total cash and cash equivalents	57,045	16,458

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.

Reclassification of prior year balances

For the year ended 30 June 2019, \$39.4 million has been reclassified from Cash and cash equivalents to Investments to reflect that only term deposits with an original maturity of less than 3 months from the date of acquisition are classified as cash and cash equivalents and this conforms with current year's presentation.

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current Restated	2019 Non-current
Financial assets at fair value through the profit and loss				
Managed funds	30,854	–	30,967	–
Negotiable Certificates of Deposit (NCD) and Floating Rate Notes (FRN) (with maturities > 3 months)	16,295	113,890	9,029	106,674
Total	47,149	113,890	39,996	106,674
Financial assets at amortised cost				
Long term deposits	141,425	195,205	126,430	139,830
Total	141,425	195,205	126,430	139,830
Total investments	188,574	309,095	166,426	246,504

Accounting policy for investments

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, 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.

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

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.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits, 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.

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

The Council has restated comparatives, please refer to Note 7(a) for the details.

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	245,619	309,095	182,884	246,504
attributable to:				
External restrictions	–	247,123	114	246,504
Internal restrictions	199,732	61,972	138,523	–
Unrestricted	45,887	–	44,247	–
	245,619	309,095	182,884	246,504

\$ '000	2020	2019
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Details of restrictions

External restrictions

Developer contributions – general	136,726	134,131
Museum of Applied Arts & Sciences Agreement	40,000	40,000
Specific purpose unexpended grants (recognised as revenue) – general fund	28,925	38,736
Domestic waste management	27,673	22,194
CBD infrastructure special rate	5,967	5,440
Stormwater levy	1,851	1,706
Catchment remediation special rate	1,912	1,554
Economic development special rate	1,300	1,152
Harris park special rate	647	525
Open space special rate	559	501
Suburban infrastructure special rate	1,281	475
Infrastructure special rate (former Holroyd)	282	204

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
External restrictions – other	247,123	246,618
Total external restrictions	247,123	246,618
Internal restrictions		
Property and significant assets reserve	253,662	129,131
Employees leave entitlement	6,400	5,499
Urgent ward works	1,642	2,629
Asset renewal reserve	–	656
Council election	–	600
Parking meters	–	8
Total internal restrictions	261,704	138,523
TOTAL RESTRICTIONS	508,827	385,141

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	13,018	1,080	8,605	948
User charges and fees	1,264	–	1,181	–
Receivable related to sale of assets				
– Sale of land (Museum of Applied Arts & Sciences project)	1,108	–	100,000	–
- Sale of land (189 Macquarie St)	15,000	–	–	15,000
- Sale of land (6&8 Parramatta Square)	–	98,399	–	–
Accrued revenues				
– Interest on investments	3,425	–	3,536	–
Net investment in finance lease	–	–	–	–
Net GST receivable	1,943	–	2,226	–
Restorations / reinstatements	111	–	1,164	–
Licencing receivables	1,021	–	1,094	–
Government grants and subsidies	4,186	–	518	–
Property leases	289	–	261	–
Amounts due from other councils	12	–	195	–
Environmental upgrade agreements	140	457	140	597
Deferred debtors	–	7,667	–	21,655
Other debtors	1,345	285	67	311
Total	42,862	107,888	118,987	38,511
Less: provision of impairment				
Rates and annual charges	(69)	–	(65)	–
Other debtors	(1,009)	–	(1,101)	–
Total provision for impairment – receivables	(1,078)	–	(1,166)	–
TOTAL NET RECEIVABLES	41,784	107,888	117,821	38,511

Externally restricted receivables

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Domestic waste management	3,418	–	2,766	–
Stormwater management	208	–	176	–
Other				
Grants	–	–	518	–
CBD Infrastructure special rate	425	–	236	–
Open space special rate	116	–	82	–
Suburban Infrastructure Special Rate	83	–	60	–
Economic development special rate	119	–	73	–
Catchment Remediation Special Rate	22	–	25	–
Harris park special rate	9	–	12	–
Infrastructure Special Rate (Former Holroyd)	3	–	4	–
Total external restrictions	4,403	–	3,952	–
Unrestricted receivables	37,381	107,888	113,869	38,511
TOTAL NET RECEIVABLES	41,784	107,888	117,821	38,511

\$ '000	2020	2019
Movement in provision for impairment of receivables		
Balance at the beginning of the year	1,166	11,325
- amounts written off	–	(10,367)
+ new provisions recognised during the year	270	220
– amounts provided for but recovered during the year	(358)	(12)
Balance at the end of the year	1,078	1,166

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

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:

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

- 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.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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.

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.

Rates and annual charges outstanding are secured against the property.

Note 9. Non-current assets classified as held for sale

(i) Non-current assets and disposal group assets

\$ '000	2020	2019
Non-current assets 'held for sale'		
Parramatta Square Site 8	–	74,430
Parramatta Square Site 6	–	23,000
Total non-current assets 'held for sale'	–	<u>97,430</u>
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	–	<u>97,430</u>

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

\$ '000	2020 Assets 'held for sale'	2019 Assets 'held for sale'
Opening balance	97,430	122,230
Add: carrying value of assets classified as 'held for sale' during the year	–	200
Less: carrying value of assets sold during the year	<u>(97,430)</u>	<u>(25,000)</u>
Closing balance of 'held for sale' non-current assets and operations	–	97,430

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Non-current assets classified as held for sale (continued)

fair value less costs to sell, except for assets such as 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.

City Of Parramatta Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2019			Asset movements during the reporting period								as at 30/6/2020			
				Additions renewals**	Additions new assets	Carrying value of disposals	Depreciation expense	WIP Capitalised	Transfers between asset classes	Reclassification of Net Carrying Amounts***	Revaluation increments/(decrements) to equity (ARR)				
	Gross carrying amount	Accumulated depreciation and impairment	Adjusted net carrying amount									Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	
\$ '000															
Capital work in progress	55,208	–	55,208	30,811	68,980	–	–	(83,624)	–	–	–	–	71,375	–	71,375
Plant and equipment	18,974	(9,317)	9,657	–	4,622	(1,075)	(2,901)	–	–	–	–	–	20,482	(10,179)	10,303
Office equipment	8,087	(3,680)	4,407	–	3,380	–	(1,085)	–	–	(445)	–	–	10,637	(4,380)	6,257
Furniture and fittings	18,885	(9,703)	9,182	–	3,288	–	(1,835)	–	76	–	–	–	22,258	(11,547)	10,711
Land:															
– Operational land	311,443	–	311,443	–	–	(9,457)	–	–	(1,357)	–	104,475	–	405,104	–	405,104
– Community land	310,799	–	310,799	–	4	–	–	–	1,357	–	–	–	312,160	–	312,160
– Crown land	74,558	–	74,558	–	–	(14,060)	–	–	–	–	–	–	60,498	–	60,498
– Land under roads (post 30/6/08)	2,151	–	2,151	–	–	–	–	–	–	–	–	–	2,151	–	2,151
Land improvements – depreciable	29,024	(7,794)	21,230	110	4,572	(47)	(623)	–	–	–	–	–	33,610	(8,368)	25,242
Infrastructure:															
– Buildings – non-specialised	209,004	(52,016)	156,988	4,636	20,950	(228)	(2,841)	–	(76)	–	–	–	234,196	(54,767)	179,429
– Buildings – specialised	31,186	(11,506)	19,680	672	2,521	–	(494)	–	–	–	–	–	34,379	(12,000)	22,379
– Other structures	21,968	(7,599)	14,369	99	2,375	–	(835)	–	(7)	–	–	–	24,435	(8,434)	16,001
– Roads	1,213,721	(287,534)	926,187	13,071	2,024	(3,890)	(16,500)	–	–	(45)	(411)	–	1,221,240	(300,804)	920,436
– Bridges	100,819	(31,025)	69,794	111	–	–	(1,136)	–	7	–	–	–	100,938	(32,162)	68,776
– Footpaths	190,466	(52,089)	138,377	4,287	7,256	(848)	(2,797)	–	–	(2)	–	–	200,780	(54,507)	146,273
– Bulk earthworks (non-depreciable)	104,029	–	104,029	–	–	(99)	–	–	–	–	(77)	–	103,853	–	103,853
– Stormwater drainage	479,696	(169,854)	309,842	1,213	371	–	(4,279)	–	–	–	146,337	–	647,812	(194,328)	453,484
– Swimming pools	1,512	(511)	1,001	–	–	–	(14)	–	–	–	–	–	1,512	(525)	987
– Other open space/recreational assets	69,611	(25,900)	43,711	1,157	2,578	(890)	(3,271)	–	–	(21)	–	–	71,791	(28,527)	43,264
Other assets:															
– Heritage collections	2,443	–	2,443	–	13	–	–	–	–	–	–	–	2,456	–	2,456
– Library books	5,924	(3,254)	2,670	–	1,412	–	(857)	–	–	–	–	–	7,336	(4,111)	3,225
– Other	6,026	(315)	5,711	–	920	–	(259)	–	–	–	–	–	6,946	(574)	6,372
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,265,534	(672,097)	2,593,437	56,167	125,266	(30,594)	(39,727)	(83,624)	–	(513)	250,324	–	3,595,949	(725,213)	2,870,736

* Refer to Note 16b for details of prior year adjustments.

**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 2020

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

Asset class	as at 30/6/2018					Asset movements during the reporting period								as at 30/6/2019		
						Gross carrying amount	Accumulated depreciation and impairment	Adjustments to the gross carrying amount*	Adjustments to the accumulated depreciation*	Restated net carrying amount	Additions renewals**	Additions new assets	Carrying value of disposals			
	\$ '000															
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
Land:																
– Operational land	443,146	–	(15,448)	–	427,698	–	7,594	(123,849)	–	–	–	–	–	311,443	–	311,443
– Community land	311,348	–	(549)	–	310,799	–	–	–	–	–	–	–	–	310,799	–	310,799
– Crown land	74,231	–	327	–	74,558	–	–	–	–	–	–	–	–	74,558	–	74,558
– 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
Infrastructure:																
– 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)	112,412	(25,660)	311,541	2,148	439	–	(4,263)	–	–	(23)	–	479,696	(169,854)	309,842
– Swimming pools	1,378	(389)	–	–	989	–	–	–	(38)	–	–	–	50	1,512	(511)	1,001
– Other open space/recreational assets	72,336	(23,165)	2,197	(181)	51,187	2,332	2,361	(1,289)	(3,346)	–	–	(5,796)	(1,738)	69,611	(25,900)	43,711
Other assets:																
– Heritage collections	2,796	–	–	–	2,796	–	82	–	–	–	–	(436)	–	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)	–	–	425	–	6,026	(315)	5,711
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	3,152,514	(577,260)	98,939	(25,841)	2,648,352	55,317	75,490	(136,977)	(42,209)	(7,413)	(50,413)	–	51,290	3,265,534	(672,097)	2,593,437

* Refer to Note 16b for details of prior year adjustments.

**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 2020

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment (IPP&E) 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 IPP&E is acquired by council for significantly below fair value, 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:

Plant and equipment	Years	Buildings	Years
Office equipment	5 to 10	Structure	40 to 120
Office furniture	10	Roof	75
Computer equipment	5	Fitouts and fittings, services	2 to 180
Vehicles	5 to 10	Stormwater assets	
Other plant and equipment	5 to 10	Pits and pipes	100 to 120
Roads		Other infrastructure assets	
Road surface	12 to 40	Bridge surface and deck	20 to 100
Road pavement base	80 to 100	Bridge structure	40 to 200
Road pavement subbase	150	Swimming pools	20 to 50
Kerb and gutter	100	Open space assets	5 to 100
Other Assets		Bus shelters	30
Library books	5	Other structures	5 to 100
Trees	50 to 100	Footpaths	
Other Assets	5 to 10	Footpaths	20 to 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.

Where the Crown reserves are under a lease arrangement they are accounted for under AASB 16 Leases, refer to Note 15.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Rural Fire Service assets

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

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
IT Development and Software		
Opening values at 1 July		
Gross book value	10,650	9,548
Accumulated amortisation	(8,155)	(7,280)
Net book value – opening balance	2,495	2,268
Movements for the year		
– Purchases	2,021	1,102
– Amortisation charges	(805)	(875)
– Gross book value reclassified from PPE	831	–
– Accumulated amortisation reclassified from PPE	(386)	–
Closing values at 30 June		
Gross book value	13,501	10,650
Accumulated amortisation	(9,345)	(8,155)
Total intangible assets - net book value	4,156	2,495

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.

Note 12. Contract liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	800	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
Total grants received in advance		800	—
User fees and charges received in advance:			
Funds received prior to the performance obligations being satisfied (upfront payments) - AASB 15	(ii)	4,234	—
Upfront fees – swimming pools and childcare	(iii)	80	—
Total user fees and charges received in advance		4,314	—
Total contract liabilities		5,114	—

Notes

(i) Council has received funding to construct assets including playgrounds, parks, and footpaths. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) Upfront payments of user charges include tickets and bonds paid to Riverside Theatre, planning and building regulation fees, construction zone fees, road opening fees, and other application fees. The contract liability relates to the funds received prior to the performance obligations being satisfied. Council will recognise revenue when the performance obligation has been satisfied, as per the recognition criteria in AASB 15.

(iii) Upfront membership fees for the swimming pools do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

\$ '000	2020
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(i) Revenue recognised (during the financial year) from opening contract liability balances

User Fees and Charges received in advance:

Funds received prior to the performance obligations being satisfied (upfront payments) - AASB 15	3,483
Upfront fees – swimming pools	40

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	3,523
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Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) Council as a lessee

Council has leases over a range of assets including buildings, IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Buildings

Council leases buildings for their corporate offices and other buildings; the leases are generally between 2 and 7 years and some of them include a renewal option to allow Council to renew for up to twice the non-cancellable lease term at their discretion.

The building leases contain an annual pricing mechanism based on either fixed increases or CPI movements at each anniversary of the lease inception.

Garbage trucks

Council leases garbage trucks with lease term 7 years; the lease payments are variable depending on the number of collections performed during the lease term and there is generally no renewal option.

Office and IT equipment

Leases for office and IT equipment are generally for low-value assets. The leases are for between 2 and 6 years with no renewal option, the payments are fixed, however, some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

At commencement date and each subsequent reporting date, Council assesses where it is reasonably certain that the extension options will be exercised.

\$ '000	Buildings	Office and IT Equipment	Total
(a) Right of use assets			
Adoption of AASB 16 at 1 July 2019 – first time lease recognition	33,959	–	33,959
Additions to right-of-use assets	–	69	69
Depreciation charge	(4,835)	(23)	(4,858)
TOTAL RIGHT OF USE ASSETS	29,124	46	29,170

\$ '000	2020 Current	2020 Non-current
(b) Lease liabilities		
Lease liabilities	3,797	24,319
TOTAL LEASE LIABILITIES	3,797	24,319

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
Cash flows	4,605	16,176	10,436	31,217	28,116
\$ '000					2020

(c) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Interest on lease liabilities	803
Variable lease payments based on usage not included in the measurement of lease liabilities	12,719
Income from sub-leasing right of use assets	–
Depreciation of right of use assets	4,858
Expenses relating to short-term leases	169
Expenses relating to low-value leases	200
Expenses relating to peppercorn leases	–
	<u>18,749</u>

(d) Statement of Cash Flows

Total cash outflow for leases	17,511
	<u>17,511</u>

Leases at significantly below market value – concessionary / peppercorn leases

Council has a number of leases at significantly below market for land and buildings which are used for storage for the excess art from the art gallery, visitors centers, and other community services provided by Council.

The leases are generally between 1 and 5 years and require payments of a maximum amount of \$1,000 per year. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material from a statement of financial position or performance perspective.

Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 14

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of properties to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as part of IPPE assets in the statement of financial position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

\$ '000	2020
(i) Operating lease income	
Buildings and Land	
Lease income (excluding variable lease payments not dependent on an index or rate)	1,081
Lease income relating to variable lease payments not dependent on an index or a rate	–
Other lease income	
External plant and equipment hire	–
Room/Facility Hire	889
Leaseback fees - council vehicles	1,041
Other	733
Total income relating to operating leases	3,744
(ii) Operating lease expenses	
Buildings and Land	
Direct operating expenses that generated rental income	667
Direct operating expenses that did not generate rental income	–
Other leased assets	
Other	302
Total expenses relating to operating leases	969

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
(iii) Repairs and maintenance:	
Contractual obligations for future repairs and maintenance	–
Other	–
Total repairs and maintenance:	–
 (iv) Maturity analysis of contractual lease income	
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:	
< 1 year	367
1–2 years	329
2–3 years	309
3–4 years	279
4–5 years	279
> 5 years	17,584
Total undiscounted contractual lease income receivable	19,147

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services	8,532	–	8,490	–
Security bonds, deposits and retentions	11,858	–	10,998	–
Accrued expenses:				
– Materials and contracts	14,766	–	12,966	–
– Salaries and wages	1,138	–	2,185	–
– Accrued Interest	163	–	207	–
Environment upgrade agreement	140	457	140	597
Government departments and agencies	–	–	79	–
Total payables	36,597	457	35,065	597
Income received in advance (2019 only)				
Payments received in advance	–	–	4,395	–
Total income received in advance	–	–	4,395	–
Borrowings				
Loans – secured ¹	8,981	21,687	8,748	30,668
Total borrowings	8,981	21,687	8,748	30,668
TOTAL PAYABLES AND BORROWINGS	45,578	22,144	48,208	31,265

(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 21.

\$ '000	2020	2019
(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	9,375	8,527
Total payables and borrowings	9,375	8,527

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19	Non-cash changes			as at 30/06/20
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	39,416	(8,748)	–	–	30,668
Lease liabilities	–	(3,620)	31,667	69	28,116
TOTAL	39,416	(12,368)	31,667	69	58,784

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	1,000	1,000
Credit cards/purchase cards	200	200
Total financing arrangements	1,200	1,200
Undrawn facilities as at balance date:		
– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	151	149
Total undrawn financing arrangements	1,151	1,149

(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

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 Council comprise trade payables, bank and other loans and finance lease liabilities.

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.

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 2020

Note 15. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Long service leave	17,585	1,529	16,561	1,344
Annual leave	11,006	–	9,441	–
Sick leave	974	–	904	–
Other employee provisions	1,371	–	2,130	–
Sub-total – aggregate employee benefits	30,936	1,529	29,036	1,344
Other provisions				
Asbestos removal - Land	9,089	7,181	6,000	–
Asbestos removal - Buildings	612	–	663	–
Make good provisions	–	2,578	–	2,393
Legal expense	233	–	441	–
Sub-total – other provisions	9,934	9,759	7,104	2,393
TOTAL PROVISIONS	40,870	11,288	36,140	3,737

\$ '000	2020	2019
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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	18,425	17,122
	18,425	17,122

(b) Description of and movements in non-employee benefit provisions

\$ '000	Other provisions				Total
	Legal expense	Asbestos removal Land	Make good provisions	Asbestos removal Buildings	
2020					
At beginning of year	441	6,000	2,393	663	9,497
Additional provisions	100	12,022	185	–	12,307
Amounts used (payments)	(308)	(1,752)	–	(51)	(2,111)
Total other provisions at end of year	233	16,270	2,578	612	19,693
2019					
At beginning of year	800	3,217	2,393	–	6,410
Revised costs	(359)	–	–	–	(359)
Additional provisions	–	6,200	–	663	6,863
Amounts used (payments)	–	(3,417)	–	–	(3,417)
Total other provisions at end of year	441	6,000	2,393	663	9,497

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

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

Pooled Employers are required to pay 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 \$40m for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. 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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

4. The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As 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 \$924,304.04.

(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 2020 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

*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 2020.

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. Council advises that it is estimated that there are \$415,100 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 2020 was \$1,001,939.08. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

(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 1.04%.

Note 16. Accumulated surplus, revaluation surplus, 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 (IPPE) revaluation reserve is used to record increments and decrements

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)

in the revaluation of infrastructure, property, plant and equipment

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

Nature of prior-period error

Stormwater Drainage assets

During the current year revaluation, the stormwater assets not captured at amalgamation were brought into Asset Register and assets not owned and controlled by Council were written off:

The adjustment reflects an increase in the opening fair value of Stormwater Drainage assets:

- \$156.6m - WDV of newly identified assets
- \$67.9m - WDV of assets not controlled by Council
- \$2m - WDV reclassified to Other Open Space and recreational assets, with no impact

Operational Land

During current year reconciliation of the Operational land register assets, there were identified multiple land parcels which were not owned or controlled by Council. The total balance of the assets derecognised is \$15.4m.

Community and Crown Land

During current year's reconciliation Council identified community land assets which are not controlled by Council, the total amount attributed to prior year errors is \$0.5m. Also, Crown land assets for the value of \$0.3m have being brought to the asset register.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2018) and taking the adjustment through to accumulated surplus at that date.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)

Changes to the opening Statement of Financial Position at 1 July 2018

Statement of Financial Position

\$ '000	Original Balance 1 July 2018	Impact Increase/ (decrease)	Restated Balance 1 July 2018
Infrastructure, property, plant and equipment	2,575,254	73,098	2,648,352
Total assets	3,092,408	73,098	3,165,506
Total liabilities	128,834	–	128,834
Accumulated Surplus	2,893,490	73,098	2,966,588
Total equity	2,963,574	73,098	3,036,672

Adjustments to the comparative figures for the year ended 30 June 2019

Statement of Financial Position

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
Infrastructure, property, plant and equipment	2,521,307	72,130	2,593,437
Total assets	3,214,777	72,130	3,286,907
Total liabilities	119,350	–	119,350
Accumulated Surplus	2,980,380	72,130	3,052,510
Total equity	3,095,427	72,130	3,167,557

Income Statement for the year ended 30 June 2019

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
Total income from continuing operations	367,759	–	367,759
Depreciation and Amortisation	42,116	968	43,084
Total expenses from continuing operations	280,995	968	281,963
Operating result from discontinued operations	–	–	–
Net operating result for the year	86,764	(968)	85,796

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Comprehensive Income for the year ended 30 June 2019

\$ '000	Original Balance 30 June 2019	Impact Increase/ (decrease)	Restated Balance 30 June 2019
Net operating result for the year	86,764	(968)	85,796
Other comprehensive income	45,089	–	45,089
Total comprehensive income for the year	131,853	(968)	130,885

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year ended 30 June 2020, Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Upfront payments of user charges

Prior to adopting AASB 15, Council recognised upfront user charges and fees upon receipt. Under AASB 15, these charges and fees are directly related to performance obligations, and are recognised once transfer of control to the customer occurs, generally at a point in time.

Upfront fees – Council Swimming Pools

Prior to adopting AASB 15, Council recognised membership joining fees on receipt. Under AASB 15, since the fees do not relate to a performance obligation, they are combined with other goods and services transferred to the customer and therefore they are now spread over the expected life of the contract with the customer (i.e the membership life).

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)**Licences**

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

Additional line item has been added to recognise Contract Liabilities.

\$ '000	Balance at 1 July 2019
----------------	-----------------------------------

Opening contract balances at 1 July 2019**Contract liabilities**

– Under AASB 15	4,408
– Under AASB 1058	300
Total Contract liabilities	4,708

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position as at 30 June 2020 under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Current liabilities					
Contract liabilities ¹	5,114	–	(5,114)	–	
Total current liabilities	95,359	–	(5,114)	90,245	
Net assets	3,462,956	–	5,114	3,468,070	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position as at 30 June 2020 under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
Equity					
Accumulated surplus	3,109,606	–	(2,964)	3,106,642	
Council equity interest	3,462,955	–	(2,964)	3,459,991	
Total equity	3,462,955	–	(2,964)	3,459,991	

(i) Transfer of part of the contract liability to income received in advance and elimination of contract liability which arises under AASB 15 for funds received to construct an asset to be controlled by Council and other funds under AASB 15 which have been received prior to the satisfaction of performance obligations

Income Statement

\$ '000	Income Statement and comprehen- sive income under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Income Statement and comprehen- sive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
User charges and fees ⁱ	35,824	–	435	36,259	
Other revenues ⁱ	11,132	–	43	11,175	
Grants and contributions provided for operating purposes ⁱ	21,582	–	(132)	21,450	
Grants and contributions provided for capital purposes ⁱ	50,173	–	200	50,373	
Total Income from continuing operations	328,384	–	546	328,930	
Total Operating result from continuing operations	58,519	–	546	59,065	
Net operating result for the year	58,519	–	546	59,065	
Total comprehensive income	296,258	–	546	296,804	

i) Difference in revenue between recognition on the receipt under the old standards and as / when performance obligations are met under new standards.

AASB 16 Leases

Council as a lessee

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16,

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation surplus, changes in accounting policies, changes in accounting estimates and errors (continued)

there is no differentiation between finance and operating leases for the lessee and therefore all leases are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets. The lease expense relating to short term leases and leases of low-value assets is recognised in the Income Statement on a straight-line basis

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using Council's weighted average incremental borrowing rate of 2.7% as at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted for prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets of \$33.9m and lease liabilities of \$31.7m at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off-balance sheet.

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	21,277
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	19,434
Add:	
Extension options reasonably certain to be exercised not included in the commitments note	12,698
Less:	
Other	(465)
Lease liabilities recognised at 1 July 2019	<u>31,667</u>

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flows information

\$ '000	Notes	2020	2019 Restated
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7a	57,045	16,458
Balance as per the Statement of Cash Flows		57,045	16,458
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		57,956	85,796
Adjust for non-cash items:			
Depreciation and amortisation		45,390	43,084
Net losses/(gains) on disposal of assets		(3,773)	(45,553)
Work in kind received		(2,448)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(149)	(2,118)
– Revaluation decrements / impairments of IPP&E direct to P&L		–	7,413
Share of net (profits)/losses of associates/joint ventures using the equity method		(563)	(508)
+/- Movement in operating assets and liabilities:			
Decrease/(increase) in receivables		(6,685)	18,510
Increase/(decrease) in provision for impairment of receivables		(88)	(10,159)
Decrease/(increase) in inventories		(14)	(10)
Decrease/(increase) in other current assets		(339)	(836)
Increase/(decrease) in payables		42	94
Increase/(decrease) in accrued interest payable		(44)	(36)
Increase/(decrease) in other accrued expenses payable		753	2,961
Increase/(decrease) in other liabilities		(3,754)	(638)
Increase/(decrease) in contract liabilities		2,150	–
Increase/(decrease) in provision for employee benefits		2,070	2,535
Increase/(decrease) in other provisions		(2,045)	(3,109)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		88,459	97,426

Council does not use Non-cash investing and financing activities.

(c) Net cash flows attributable to discontinued operations

The Council has restated comparatives, please refer to Note 7(a) for the details.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2020	2019	2020	2019
Joint ventures	563	508	6,095	6,656
Total	563	508	6,095	6,656

(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	2020	2019
Civic Risk West	Joint venture	Equity method	5,365	6,010
Civic Risk Mutual	Joint venture	Equity method	730	646
Total carrying amounts – material joint ventures			6,095	6,656

(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	
	2020	2019	2020	2019	2020	2019
Civic Risk West	15.2%	11.0%	12.7%	13.0%	7.7%	10.0%
Civic Risk Mutual (Westpool and UIP)	40.0%	8.0%	10.2%	9.0%	5.3%	6.0%

(d) Summarised financial information for joint ventures

\$ '000	Civic Risk West		Civic Risk Mutual (Westpool and UIP)	
	2020	2019	2020	2019
Statement of financial position				
Current assets				
Cash and cash equivalents	14,655	2,961	6,177	1,813
Other current assets	15,594	27,419	5,924	7,215
Non-current assets	33,048	36,522	5,102	5,368
Current liabilities				

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

\$ '000	Civic Risk West		Civic Risk Mutual (Westpool and UIP)	
	2020	2019	2020	2019
Current financial liabilities (excluding trade and other payables and provisions)	8,617	6,657	5,923	4,827
Other current liabilities	4,561	740	490	345
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	7,999	12,117	3,635	2,279
Net assets	42,120	47,388	7,155	6,945
Reconciliation of the carrying amount				
Opening net assets	47,388	41,761	6,945	8,469
Capital Repayment	(8,400)	–	–	–
Profit/(loss) for the period	3,181	5,627	211	(1,524)
Closing net assets	42,169	47,388	7,156	6,945
Council's share of net assets (%)	12.7%	12.7%	10.2%	9.3%
Council's share of net assets (\$)	5,349	6,010	730	646
Statement of comprehensive income				
Income	6,648	6,295	14,474	11,320
Interest income	1,321	3,672	205	447
Interest expense	(18)	(1)	–	–
Other expenses	(4,770)	(4,339)	(14,468)	(13,291)
Profit/(loss) from continuing operations	3,181	5,627	211	(1,524)
Profit/(loss) for the period	3,181	5,627	211	(1,524)
Total comprehensive income	3,181	5,627	211	(1,524)
Share of income – Council (%)	15.2%	11.1%	40.0%	7.6%
Profit/(loss) – Council (\$)	479	624	84	(116)
Total comprehensive income – Council (\$)	479	624	84	(116)

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 at cost and the carrying amount is increased or decreased to recognise the council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

(b) Unconsolidated structured entities

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

Council did not consolidate the following structured entities:

\$ '000	2020	2019
Parramasala		
<p>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.</p> <p>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.).</p>		
Nature of risks relating to the Unconsolidated Structured Entity		
Parramasala		
<p>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.</p> <p>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.</p>		
Income received by Council relating to the Structured Entity		
– Sponsorship	200	200
– In-kind	1	3

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

\$ '000	2020	2019
(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	109,140	10,992
Roads, kerb and gutter	–	3,521
Open Space	38,371	1,907
Land Improvements	7,821	2,867
Stormwater Drainage	231	621
IT and web assets	646	527
Footpaths	–	551
Plant and equipment	1,625	156
Other Structure	37	96
Bridges	2,517	57
Other	3,911	1,958
Total commitments	164,299	23,253

Details of capital commitments

Capital commitments relate to ongoing capital projects such as 5 Parramatta Square development, Town Hall upgrade, Charles Street Square works, roads, kerb and gutter maintenance, aquatic centre design etc.

A reconciliation of prior year operating lease commitments to opening balance lease liabilities is provided in Note 16.

\$ '000	2020	2019
(b) Non-cancellable operating lease commitments (2019 only)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	–	5,622
Later than one year and not later than 5 years	–	15,655
Total non-cancellable operating lease commitments	–	21,277

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

Refer to Note 13 for information relating to leases for 2020.

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.

Note 20. Contingencies

The independent expert (JMB Environmental Consulting Pty Ltd - JMBE) was engaged by Council in 2018/19 to conduct a Hazardous Materials Management register. JMBE performed the risk assessment and assigned a risk score to each of the Council's buildings.

Council has classified the cost of removal of hazardous material for low and very low rated risk items as a Contingent liability totalling \$4.4m.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management

Risk management

\$ '000	Carrying value 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	57,045	16,458	57,045	16,458
Receivables	149,672	156,332	148,185	155,593
Investments				
– 'Financial assets at amortised cost'	336,630	266,260	336,630	266,260
Fair value through profit and loss				
Investments				
– 'Held for trading'	161,039	146,670	161,039	146,670
Total financial assets	704,386	585,720	702,899	584,981
Financial liabilities				
Payables	37,054	35,662	37,054	35,516
Borrowings	30,668	39,416	29,030	37,593
Lease liabilities	28,116	–	28,116	–
Total financial liabilities	95,838	75,078	94,200	73,109

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 s 625 of the *Local Government Act* and the Ministerial Investment Order. 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:

- **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 (among 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(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
2020				
Possible impact of a 10% movement in market values	16,104	16,104	(16,104)	(16,104)
Possible impact of a 1% movement in interest rates	3,937	3,937	(3,937)	(3,937)
2019				
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) 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 189 Macquarie street as it is supported by bank guarantee provided by the buyer.

The receivable from Walker Corporation is secured by:

- \$10.5m bank guarantee,
- holding company guarantee from Walker Holding Group,
- positive covenant on the land title.

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.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

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
2020						
Gross carrying amount	–	12,948	542	181	427	14,098
2019						
Gross carrying amount	–	8,721	313	133	386	9,553

Receivables other than rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses (ECL) 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 2020 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
2020						
Gross carrying amount	134,379	1,404	131	126	612	136,652
Expected loss rate (%)	0.00%	10.00%	100.00%	100.00%	100.00%	0.74%
ECL provision	–	140	131	126	612	1,009
2019						
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%
ECL provision	–	–	–	241	924	1,165

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

Payables, lease liabilities, 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 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 amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total contractu al cash flows	Actual carrying values
2020							
Trade/other payables	0.00%	11,858	25,196	–	–	37,054	37,054
Loans and advances	5.04%	–	8,981	21,687	–	30,668	30,668
Total financial liabilities		11,858	34,177	21,687	–	67,722	67,722
2019							
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
Total financial liabilities		10,998	33,324	29,841	827	74,990	75,078

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for the year ended 30 June 2020 was adopted by the Council on 24/06/2019 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.

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

Material variations of more than 10% between original budget and actual results are explained below.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	187,423	189,335	1,912	1%	F
User charges and fees	40,361	35,824	(4,537)	(11)%	U
Variance predominantly due to loss of revenue from car parks due to COVID-19.					
Other revenues	13,094	11,132	(1,962)	(15)%	U
Council received \$2m less revenue from parking fines than budgeted, due to COVID-19.					
Operating grants and contributions	18,711	21,582	2,871	15%	F
The following operating grants and contributions were received but not budgeted in the year ended 30 June 2020:					
<ul style="list-style-type: none"> - \$1.3m - Road Restoration Contributions; - \$0.6m - Parramatta Light Rail; - \$350k - Developer Contributions from VPA. 					
Capital grants and contributions	76,358	50,173	(26,185)	(34)%	U
The following capital grants were budgeted for but not received in the year ended 30 June 2020:					
<ul style="list-style-type: none"> - \$13.6m - Escarpment Boardwalk grant; - \$7.5m - PRUAIP (Parramatta Road Urban Amenity Improvement Program) - Prince & Albert Street Granville Acquisition; - \$5.2m - PRUAIP - Bridge Street Granville Acquisition. 					
Those were partially offset by positive budget variations such as payment received for Aquatic and Leisure Centre - \$1.2m.					
Interest and investment revenue	13,541	11,695	(1,846)	(14)%	U
COVID-19 has adversely influenced both local and foreign financial markets, which in turn, has also affected Council's investment portfolio.					
Net gains from disposal of assets	-	3,773	3,773	∞	F

The gain from the sale of 6 and 8 Parramatta Square land assets offsets the loss from disposal of other assets as per below:

- \$29.2m - gain from the sale of 6 and 8 Parramatta Square assets;
- \$0.5m - gain from the sale of fleet assets;
- \$5.7m - loss from disposal of renewed roads, footpath and open space assets;
- \$6.1m - loss from the sale of Lennox car park land assets;
- \$14.3m - the cost of the assets Wilson park assets transferred to Sydney Olympic Park Authority (SOPA)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
Rental income	3,741	3,744	3	0% F
Joint ventures and associates – net profits	800	563	(237)	(30)% U

Negative variance due to Council budgeting for greater performance from joint venture with Civic Risk.

EXPENSES

Employee benefits and on-costs	120,870	120,935	(65)	0% U
Borrowing costs	1,805	2,608	(803)	(44)% U
Materials and contracts	60,365	58,091	2,274	4% F
Depreciation and amortisation	43,781	45,390	(1,609)	(4)% U
Other expenses	44,489	42,841	1,648	4% F
Net losses from disposal of assets	2,500	–	2,500	100% F

The actual loss from disposal of the infrastructure assets is \$5.7m, the variance with budget primarily due to the transfer of the open space assets to SOPA. The loss amount is offset by the gain from the disposal of other assets and presented above in net gains from the disposal of assets.

STATEMENT OF CASH FLOWS

Cash flows from operating activities	125,475	88,459	(37,016)	(30)% U
Variance due to grants have not been received this financial year:				
- \$16.5m - Escarpment Boardwalk				
- \$18m - PRUAIP grants				
Cash flows from investing activities	(116,727)	(35,504)	81,223	(70)% F
The sale of Riverbank Car park, which is attributable to the \$100m variance, was not expected to be received in cash.				
Cash flows from financing activities	(8,748)	(12,368)	(3,620)	41% U
The repayment of the lease liability as per AASB 16 was not budgeted for, and this resulted in significant variances.				

Notes to the Financial Statements for the year ended 30 June 2020

Note 23. Fair Value Measurement

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 2020

Note 23. Fair Value Measurement (continued)

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

2020	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	7b					
– ‘Held for trading’		30/06/2020	161,039	–	–	161,039
Total financial assets			161,039	–	–	161,039
Infrastructure, property, plant and equipment						
Operational land	10	30/06/2020	–	405,104	–	405,104
Community land		30/06/2018	–	–	312,160	312,160
Crown Land		30/06/2018	–	–	60,498	60,498
Land under roads		30/06/2018	–	–	2,151	2,151
Land improvements - depreciable		30/06/2019	–	–	25,242	25,242
Buildings-non specialised		30/06/2019	–	–	179,429	179,429
Buildings-specialised		30/06/2019	–	–	22,379	22,379
Other structures		13/05/2016	–	–	16,001	16,001
Roads		30/06/2019	–	–	920,436	920,436
Bridges		13/05/2016	–	–	68,776	68,776
Footpaths		31/03/2018	–	–	146,273	146,273
Bulk earthworks		30/06/2019	–	–	103,853	103,853
Stormwater drainage		30/06/2020	–	–	453,484	453,484
Swimming pools		30/06/2019	–	–	987	987
Other open space/recreational assets		30/06/2019	–	–	43,264	43,264
Total Infrastructure, property, plant and equipment			–	405,104	2,354,933	2,760,037

Note:

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

2019	Notes	Date of latest valuation Restated	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements						
Financial assets						
Investments	7b					
– ‘Held for trading’		30/06/19	146,986	–	–	146,986
Total financial assets			146,986	–	–	146,986
Infrastructure, property, plant and equipment						
Operational land	10	13/05/16	–	311,443	–	311,443
Community land		30/06/18	–	–	310,799	310,799
Crown Land			–	–	74,558	74,558
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	–	–	156,988	156,988
Buildings-specialised		30/06/19	–	–	19,680	19,680

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

2019	Notes	Date of latest valuation Restated	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Other structures		13/05/16	–	–	14,369	14,369
Roads		30/06/19	–	–	926,187	926,187
Bridges		13/05/16	–	–	69,794	69,794
Footpaths		31/03/18	–	–	138,377	138,377
Bulk earthworks		30/06/19	–	–	104,029	104,029
Stormwater drainage		13/05/16	–	–	309,842	309,842
Swimming pools		30/06/19	–	–	1,001	1,001
Other open space/recreational assets		30/06/19	–	–	43,711	43,711
Total Infrastructure, property, plant and equipment			–	311,443	2,192,716	2,504,159

Note:

Capital WIP is not included above as 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 on 30 June 2020 by APV Valuers & Asset Management.

Carrying amount of Operational Land was assessed at this reporting date by APV. Depending upon the unique circumstances of each lot, land has been valued using a range of approaches.

The valuation of the freehold land that 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 (including Crown 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.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Land Under Roads

Land Under Roads identified as roads constructed post 01/07/2008 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 01/07/2008.

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 as at 30 June 2019.

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 other structure assets on 13 May 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 was completed on 30/06/2019 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 each asset. The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

Council 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 Stormwater Conduits, Stormwater Structures and Stormwater Other Structures. In 2020, Assetic Pty Ltd completed a 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.

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 based on local projects/ data and available data verified with first principle calculations; 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 through asset inspections based on documented condition rating manuals and condition sampling methodology. 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.

Swimming Pools

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

A comprehensive valuation was conducted by APV as at 30 June 2019 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, barbeques 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 Restated
2019	
Opening balance	2,161,893
Purchases (gross book value)	35,566
Disposals (written down value)	(12,306)
Depreciation and impairment	(43,139)
Fair value gains – other comprehensive income	51,290
Transfer to Furniture and Fittings	(588)
Transfer from Operational Land	–
Closing balance	2,192,716
2020	
Opening balance	2,192,716
Purchases (gross book value)	68,004
Disposals (written down value)	(20,062)
Depreciation and impairment	(32,789)
Fair value gains – other comprehensive income	145,850
Transfer to Furniture and Fittings	(75)
Transfer from Operational Land	1,289
Closing balance	2,354,933

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Community Land	312,160	Land Values obtained from the NSW Valuer-General	Adjustments are made to observable inputs for zoning restrictions, topography, land shape and size
Crown Land	60,498	Land Values obtained from the NSW Valuer-General	Adjustments are made to observable inputs for zoning restrictions, topography, land shape and size
Land Under Roads	2,151	Englolo methodology	Land size
Land improvements	25,242	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Buildings (Specialised and Non-Specialised)	201,808	Market-based direct comparison/cost approach	Market value if available. Otherwise, current replacement cost
Other Structures	16,001	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Roads including bulk earthworks	1,024,289	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Bridges	68,776	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Footpaths	146,273	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Stormwater Drainage	453,484	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Swimming Pools	987	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.
Open Space/Recreational Assets	43,264	Cost Approach	Current replacement cost of modern equivalent asset, useful life, pattern of consumption and asset condition.

(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 2020

Note 24. Related party disclosures

(a) Key management personnel

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

(a) Lord Mayor, (b) Councillors, (c) CEO and (d) Directors.

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	3,524	3,181
Post-employment benefits	14	235
Other long-term benefits	377	109
Termination benefits	–	709
Total	3,915	4,234

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.

(b) Joint Ventures

Refer to Note 18.

Note 25. Events occurring after the reporting date

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. 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 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
Open space	107	–	–	2	–	–	109	–
Community facilities	7,341	1,367	–	161	(306)	–	8,563	–
Traffic and parking	2,925	–	–	61	–	–	2,986	–
Traffic and transport	2	–	–	–	–	–	2	–
Councils OnLine	15	–	–	–	–	–	15	–
Public domain projects	8,562	2,655	–	190	(1,326)	–	10,081	–
River foreshore park	2,900	1,026	–	68	(112)	–	3,882	–
Arts and cultural facility	7,094	2,050	–	152	(1,474)	–	7,822	–
Recreation Facilities	6,441	1,709	–	150	–	–	8,300	–
Historic buildings	908	342	–	23	–	–	1,273	–
Car park enhancements	132	342	–	6	(65)	–	415	–
Access and transport	9,891	2,050	–	221	(304)	–	11,858	–
Ermington traffic and pedestrian	–	–	–	–	–	–	–	–
Community facilities (A)	1,972	758	–	31	(1,776)	–	985	–
Drainage, water quality and laneway infrastructure	1,831	432	–	30	(1,112)	–	1,181	–
Natural environment	–	126	–	–	(126)	–	–	–
Open space and recreation	5,425	1,261	–	76	(5,152)	–	1,610	–
Public domain	2,540	353	–	50	(847)	–	2,096	–
Roads and shared paths	2,338	629	–	36	(1,887)	–	1,116	–
Parramatta Square	4,672	19,537	–	121	(17,140)	–	7,190	–
Open Space Land - Former Hills	4,088	408	–	86	–	–	4,582	–
Open Space Capital - Former Hills	372	57	–	6	–	–	435	–
Transport Facilities Capital - Former Hills	2,090	265	–	44	–	–	2,399	–
Administration - Former Hills	1,258	35	2,448	26	(260)	–	1,059	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Stormwater Management - Former Hills	2,468	318	–	47	(591)	–	2,242	–
Community Facilities - Former Hills	2,166	214	–	43	–	–	2,423	–
Open Space and Recreation -Former Hills	3,509	149	–	67	(603)	–	3,122	–
Roads and Natural Paths -Former Hills	3,229	173	–	62	(349)	–	3,115	–
Natural Environment -Former Hills	38	22	–	1	–	–	61	–
Public Domain -Former Hills	39	22	–	–	–	–	61	–
Drainage and Water Quality -Former Hills	54	22	–	1	–	–	77	–
Drainage & Water Quality (Former Hornsby)	225	13	–	4	–	–	242	–
Public Domain - Former Hornsby	1,624	181	–	36	–	–	1,841	–
Roads - Former Hornsby	1,858	104	–	36	(349)	–	1,649	–
Open Space - Former Hornsby	13,807	775	–	284	(798)	–	14,068	–
Community Facilities - Former Hornsby	3,099	93	–	63	–	–	3,255	–
Plan Administration - Former Hornsby	50	1	–	1	–	–	52	–
Other - Former Hornsby	2,554	226	–	54	–	–	2,834	–
Community Facilities - Former Auburn	74	22	–	2	–	–	98	–
Public Domain - Former Auburn	164	47	–	4	–	–	215	–
Accessibility and Traffic - Former Auburn	104	43	–	3	–	–	150	–
Plan Administration - Former Auburn	17	5	–	–	–	–	22	–
Open Space (HBW)	10,380	3	–	212	(118)	–	10,477	–
Community Facilities (HBW)	3,279	1	–	31	(3,311)	–	–	–
Traffic Management (HBW)	2,648	1	–	54	(63)	–	2,640	–
Plan Administration (HBW)	728	–	–	14	(100)	–	642	–
Community Facilities (Carter Street)	360	2	–	8	–	–	370	–
Local Open Space (Carter Street)	949	6	–	22	–	–	977	–
District Recreation (Carter Street)	2,157	14	–	50	–	–	2,221	–
Active Transport (Carter Street)	718	5	–	17	–	–	740	–
Traffic Management (Carter Street)	837	5	–	19	–	–	861	–
Plan Administration (Carter Street)	28	–	–	2	–	–	30	–
Parks and Recreation (former Holroyd)	20	37	–	1	–	–	58	–
Sporting Fields (former Holroyd)	20	37	–	1	–	–	58	–
Community Facilities (former Holroyd)	10	15	–	–	–	–	25	–
Total S7.11 and S7.12 revenue under plans	130,117	37,958	2,448	2,679	(38,169)	–	132,585	–

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.4 planning agreements	4,014	442	–	83	(398)	–	4,141	–
Total contributions	134,131	38,400	2,448	2,762	(38,567)	–	136,726	–

S7.11 and S7.12 Contributions – under a plan

PARRAMATTA SECTION 7.11 CONTRIBUTION PLAN NUMBER 1

Traffic and parking	2,925	–	–	61	–	–	2,986	–
Total	2,925	–	–	61	–	–	2,986	–

PARRAMATTA COMPREHENSIVE SECTION 7.11 CONTRIBUTION PLAN

Open space	107	–	–	2	–	–	109	–
Traffic and transport	2	–	–	–	–	–	2	–
Total	109	–	–	2	–	–	111	–

PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (NON CITY CENTRE)

Councils OnLine	15	–	–	–	–	–	15	–
Community facilities (A)	1,972	758	–	31	(1,776)	–	985	–
Drainage, water quality and laneway infrastructure	1,831	432	–	30	(1,112)	–	1,181	–
Natural environment	–	126	–	–	(126)	–	–	–
Open space and recreation	5,425	1,261	–	76	(5,152)	–	1,610	–
Public domain	2,540	353	–	50	(847)	–	2,096	–
Roads and shared paths	2,338	629	–	36	(1,887)	–	1,116	–
Total	14,121	3,559	–	223	(10,900)	–	7,003	–

PARRAMATTA COMPREHENSIVE SECTION 7.12 CONTRIBUTION PLAN (CIVIC IMPROVEMENT)

Community facilities	7,341	1,367	–	161	(306)	–	8,563	–
Public domain projects	8,563	2,655	–	190	(1,326)	–	10,082	–
River foreshore park	2,900	1,026	–	68	(112)	–	3,882	–
Arts and cultural facility	7,094	2,050	–	152	(1,474)	–	7,822	–
Recreation Facilities	6,441	1,709	–	150	–	–	8,300	–
Historic buildings	908	342	–	23	–	–	1,273	–

continued on next page ...

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Car park enhancements	132	342	–	6	(65)	–	415	–
Parramatta Square	4,672	19,537	–	121	(17,140)	–	7,190	–
Access and transport	9,889	2,050	–	221	(304)	–	11,856	–
Total	47,940	31,078	–	1,092	(20,727)	–	59,383	–
SECTION 7.11 DEVELOPMENT CONTRIBUTION PLAN - CARLINGFORD PRECINCT								
Open Space Land – Former Hills	4,088	408	–	86	–	–	4,582	–
Open Space Capital – Former Hills	372	57	–	6	–	–	435	–
Transport Facilities Capital – Former Hills	2,090	265	–	44	–	–	2,399	–
Administration – Former Hills	1,258	35	2,448	26	(260)	–	1,059	–
Stormwater Management – Former Hills	2,468	318	–	47	(591)	–	2,242	–
Community Facilities – Former Hills	1,612	173	–	34	–	–	1,819	–
Total	11,888	1,256	2,448	243	(851)	–	12,536	–
SECTION 7.12 DEVELOPMENT CONTRIBUTION PLAN-FORMER HILLS LGA LAND								
Community Facilities – Former Hills	555	41	–	9	–	–	605	–
Open Space and Recreation -Former Hills	3,509	149	–	67	(603)	–	3,122	–
Roads and Natural Paths -Former Hills	3,229	173	–	62	(349)	–	3,115	–
Natural Environment -Former Hills	39	22	–	1	–	–	62	–
Public Domain -Former Hills	40	22	–	–	–	–	62	–
Drainage and Water Quality -Former Hills	54	22	–	1	–	–	77	–
Total	7,426	429	–	140	(952)	–	7,043	–
SECTION 7.11 FORMER EPPING AND HORNSBY TC								
Plan Administration – Former Hornsby	26	1	–	–	–	–	27	–
Community Facilities – Former Hornsby	1,018	93	–	22	–	–	1,133	–
Drainage & Water Quality (Former Hornsby)	225	13	–	4	–	–	242	–
Open Space – Former Hornsby	7,874	775	–	162	(798)	–	8,013	–
Public Domain – Former Hornsby	1,625	181	–	36	–	–	1,842	–
Roads – Former Hornsby	820	104	–	18	–	–	942	–
Total	11,588	1,167	–	242	(798)	–	12,199	–
HORNSBY SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN								

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
Roads – Former Hornsby	1,038	–	–	18	(349)	–	707	–	
Open Space – Former Hornsby	5,933	–	–	122	–	–	6,055	–	
Community Facilities – Former Hornsby	2,081	–	–	41	–	–	2,122	–	
Plan Administration – Former Hornsby	24	–	–	1	–	–	25	–	
Total	9,076	–	–	182	(349)	–	8,909	–	
HORNSBY SECTION 7.12 DEVELOPMENT CONTRIBUTION PLAN									
Other – Former Hornsby	1,962	–	–	40	–	–	2,002	–	
Total	1,962	–	–	40	–	–	2,002	–	
AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART B RESIDENTIAL AND PART F EMPLOYMENT									
Community Facilities – Former Auburn	75	22	–	2	–	–	99	–	
Public Domain – Former Auburn	164	47	–	4	–	–	215	–	
Accessibility and Traffic – Former Auburn	104	43	–	3	–	–	150	–	
Plan Administration – Former Auburn	17	5	–	–	–	–	22	–	
Total	360	117	–	9	–	–	486	–	
AUBURN DEVELOPMENT CONTRIBUTIONS PLAN 2007 - PART C HOMEBUSH BAY WEST									
Open Space (HBW)	10,380	3	–	212	(118)	–	10,477	–	
Community Facilities (HBW)	3,279	1	–	31	(3,311)	–	–	–	
Traffic Management (HBW)	2,648	1	–	54	(63)	–	2,640	–	
Plan Administration (HBW)	728	–	–	14	(100)	–	642	–	
Total	17,035	5	–	311	(3,592)	–	13,759	–	
CARTER STREET PRECINCT DEVELOPMENT CONTRIBUTION PLAN 2016									
Community Facilities (Carter Street)	360	2	–	8	–	–	370	–	
Local Open Space (Carter Street)	949	6	–	22	–	–	977	–	
District Recreation (Carter Street)	2,156	14	–	50	–	–	2,220	–	
Active Transport (Carter Street)	718	5	–	17	–	–	740	–	
Traffic Management (Carter Street)	837	5	–	19	–	–	861	–	
Plan Administration (Carter Street)	28	–	–	2	–	–	30	–	
Total	5,048	32	–	118	–	–	5,198	–	

Notes to the Financial Statements
for the year ended 30 June 2020

Note 26. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
HOLROYD SECTION 7.11 DEVELOPMENT CONTRIBUTIONS PLAN 2013								
Community Facilities (former Holroyd)	10	15	–	–	–	–	25	–
Parks and Recreation (former Holroyd)	20	37	–	1	–	–	58	–
Sporting Fields (former Holroyd)	20	37	–	1	–	–	58	–
Total	50	89	–	2	–	–	141	–
SECTION 7.12 FORMER EPPING AND HORNSBY TC								
Other – Former Hornsby	593	226	–	14	–	–	833	–
Total	593	226	–	14	–	–	833	–

S7.4 planning agreements

S7.4 planning agreements

Lennox Bridge Portals	556	–	–	11	–	–	567	–
Parramatta River Pedestrian Crossing	3,022	–	–	58	(398)	–	2,682	–
Local Road Works River Road West	177	–	–	4	–	–	181	–
Local road works Ermington	12	–	–	–	–	–	12	–
Robin Thomas Reserve	224	–	–	5	–	–	229	–
Bushland Regeneration Ponds Creek Reserve	23	–	–	1	–	–	24	–
Wentworth Point Library and Community Center	–	–	–	–	–	–	–	–
VPA-21 Hassal St	–	92	–	1	–	–	93	–
VPA- 258-262 Pennant Hills Road and 17-20 Azile Court, Carligford	–	350	–	3	–	–	353	–
Total	4,014	442	–	83	(398)	–	4,141	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019 Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	3,298	1.21%	(4.07)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	273,163			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	251,581	77.81%	76.36%	>60.00%
Total continuing operating revenue ¹	323,336			
3. Unrestricted current ratio				
Current assets less all external restrictions	284,522	4.21x	6.73x	>1.50x
Current liabilities less specific purpose liabilities	67,559			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	51,296	3.43x	3.06x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,976			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	14,029	7.00%	5.04%	<5.00%
Rates, annual and extra charges collectible	200,291			

The ratio is outside the benchmark and deteriorated this year due to the impact of COVID-19 where Council did not pursue the debtors in financial hardship.

6. Cash expense cover ratio

Current year's cash and cash equivalents plus all term deposits	393,675	18.42	12.41	>3.00
Monthly payments from cash flow of operating and financing activities	21,375	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

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

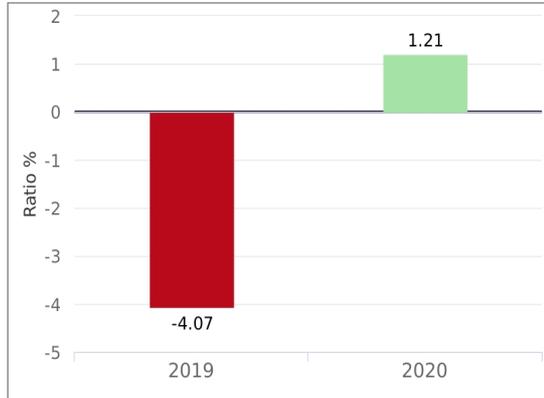
End of audited financial statements

End of audited financial statements

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(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 2019/20 result

2019/20 ratio	1.21%
---------------	-------

The ratio improved from last financial year and is now above the benchmark. In FY2019 Council wrote off 7.11 funds receivable from Hornsby.

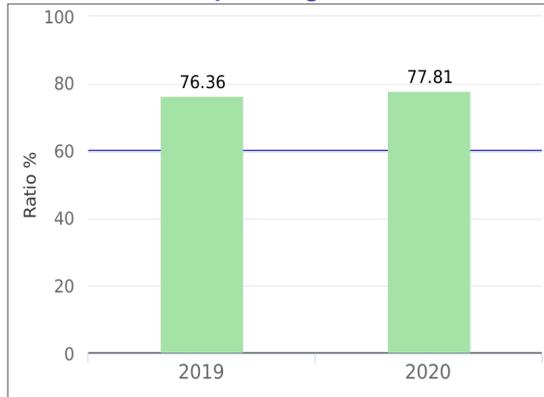
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio	77.81%
---------------	--------

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

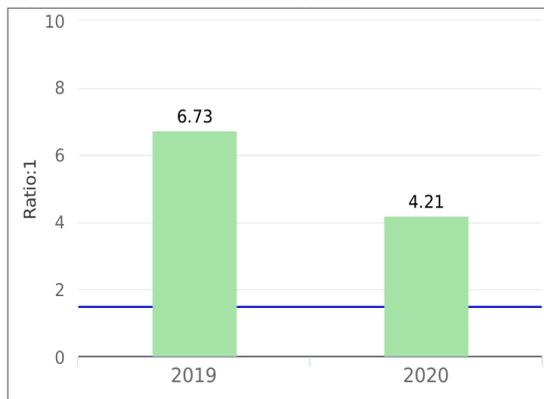
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio	4.21x
---------------	-------

The ratio exceeds the benchmark. The decrease is due to the increase in cash and receivables from the sale of the MAAS site recorded in the last financial year and sale of 6&8 Parramatta Square this financial year. The ratio is significantly higher than the benchmark and indicating strong liquidity positions.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

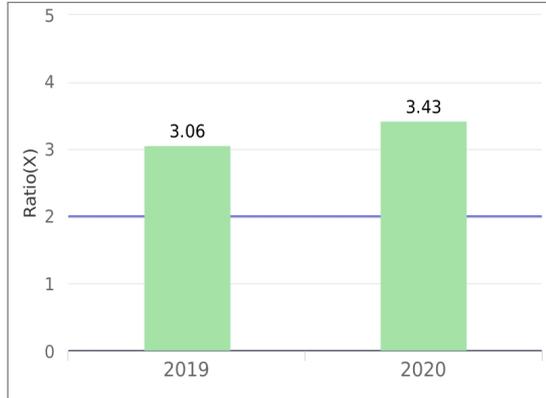
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(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 2019/20 result

2019/20 ratio 3.43x

This ratio remains above the benchmark and improved this year due to implementation of AASB 16 where most of the leases recorded through depreciation and interest expenses.

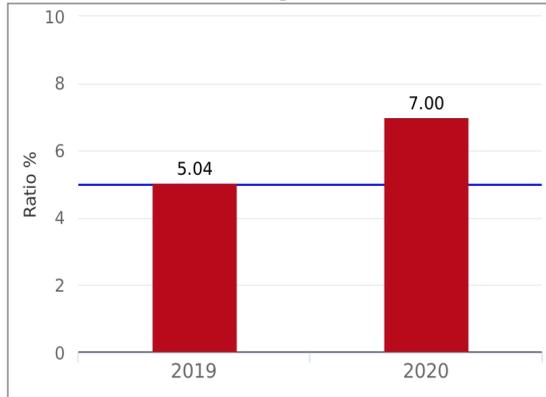
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

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 2019/20 result

2019/20 ratio 7.00%

The ratio is outside the benchmark and deteriorated this year. The main reason is the impact of COVID-19 where Council did not pursue the debtors in financial hardship.

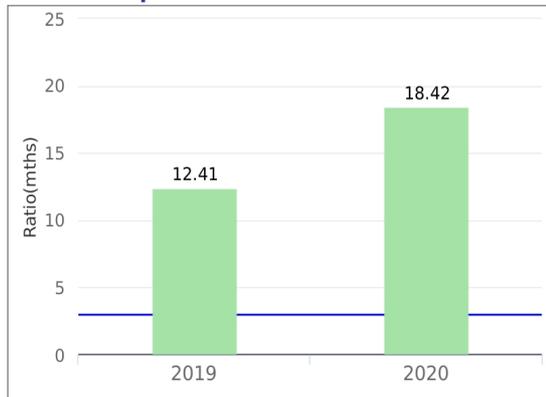
Benchmark: — < 5.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

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 2019/20 result

2019/20 ratio 18.42 mths

Cash expense cover ratio exceeds the benchmark and improved this year due to higher cash inflow received from the sale of Riverbank car Park - \$100m and 8 Parramatta Square - \$28m

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

126 Church Street
Parramatta NSW 2150

Contact details

Mailing Address:

PO BOX 32
Parramatta NSW 2124

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

Officers

Chief Executive Officer

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

Responsible Accounting Officer

Paul Perrett

Auditors

Level 19, Tower 2 Darling Park, 201 Sussex St,
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 (ceased on 30 April 2020)
Andrew Jefferies
Phil Bradley
Sameer Pandey
Martin Zaiter
Steven Issa
Patricia Procriv

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 the City of Parramatta Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2020, 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 (including Independence Standards)' (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 2020 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.

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. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 22 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.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY



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

Contact: Nathan Carter
Phone no: 02 9275 7349
Our ref: D2022577/1776

5 November 2020

Dear Lord Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
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 2020 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 2020 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

	2020 \$m	2019* \$m	Variance %
Rates and annual charges revenue	189.3	180.5	 4.9
Grants and contributions revenue	71.8	74.4	 3.5
Operating result from continuing operations	58.0	85.8	 32.4
Net operating result before capital grants and contributions	7.8	30.0	 74.0

* The 2019 comparatives have been restated to correct a prior period error. Note 16(b) of the financial statements provides details of the prior period error.

The Council's operating result from continuing operations (\$58.0 million, including depreciation and amortisation expense of \$45.4 million) was \$27.8 million lower than the 2018–19 result. This is mainly due to a \$41.8 million reduction in net gains from disposal of assets, offset by a \$8.8 million increase in rates and annual charges and a reduction in revaluation losses recognised in profit or loss of \$7.4 million.

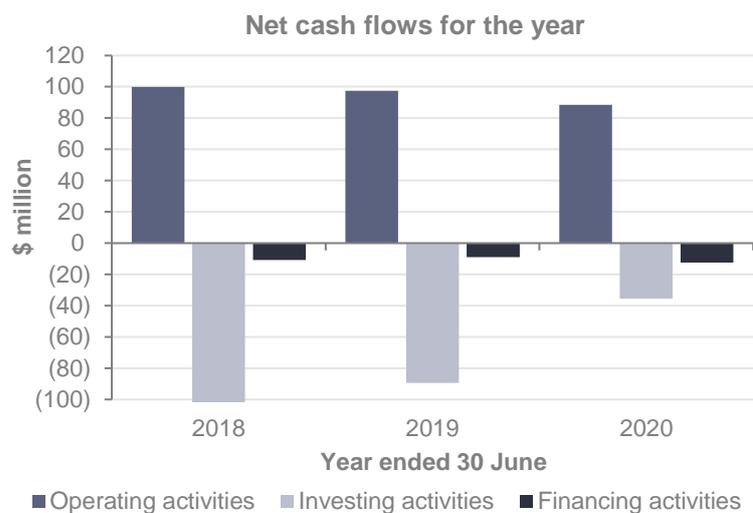
The net operating result before capital grants and contributions of \$7.8 million was \$22.2 million lower than the 2018–19 result. Reasons for the reduction are consistent with the reduction in the Operating result from continuing operations noted above.

Rates and annual charges revenue of \$189.3 million increased by \$8.8 million (4.9 per cent) in 2019–20, as a result of applying the Independent Pricing and Regulatory Tribunal (IPART) rate peg of 2.7 per cent and an increase in rateable properties. Annual Charges also increased by approximately \$2.4 million because of an increase in Domestic waste management service charges and Stormwater levy charges.

STATEMENT OF CASH FLOWS

The Council's cash and cash equivalents balance at 30 June 2020 was \$57.0 million. Net cash flows for the year increased by \$40.6 million.

The overall increase in cash during 2019-20 was mainly due to an increase in cash from the sale of infrastructure, property, plant and equipment. The overall net cash outflow from investing activities decreased by \$53.9 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	247.1	246.6	<ul style="list-style-type: none"> Externally restricted cash and investments is mainly comprised of development contributions, proceeds from the sale of the Museum of Applied Arts and Sciences (MAAS) site, specific purpose unexpended grants and domestic waste management. Internally restricted cash and investments are restricted due to Council policy. Restricted funds comprise of funds set aside for the Property and significant assets reserve (\$253.7 million), Employee leave entitlements (\$6.4 million) and Urgent ward works (\$1.6 million). The Property and significant assets reserve represent funds set aside from the sale of property, such as the Parramatta Square site. Unrestricted cash and investments provide liquidity for day-to-day operations.
Internal restrictions	261.7	138.5	
Unrestricted	45.9	44.2	
Cash and investments			

Debt

The Council had borrowings of \$30.7 million at 30 June 2020, of which \$9.0 million is classified as a current liability to be settled within the next 12 months. Council repaid loan principal of \$8.7 million during the year.

PERFORMANCE

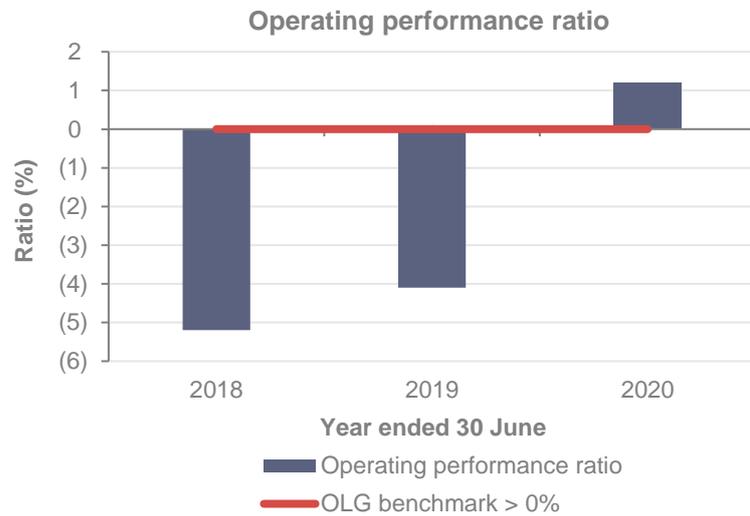
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

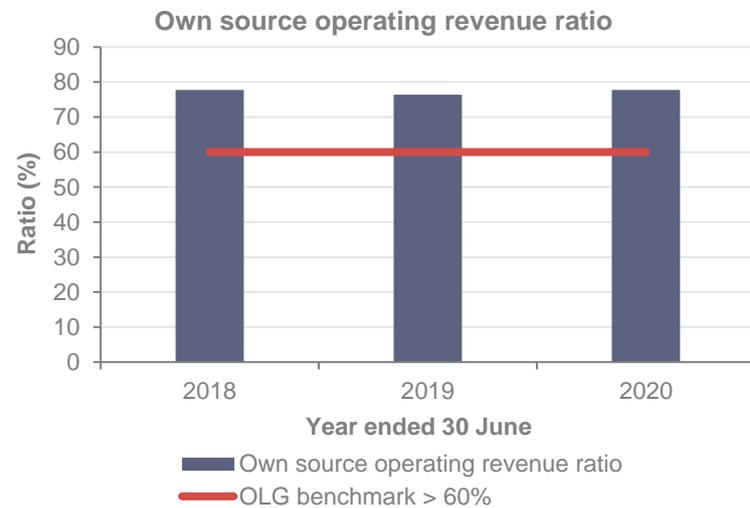
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, net gain on sale of assets and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent. The Council exceeded the OLG benchmark for the current reporting period.

The 2019 ratio was restated, as a result of a prior period error. Note 16(b) of the financial statements provides details of the prior period error.



Own source operating revenue ratio

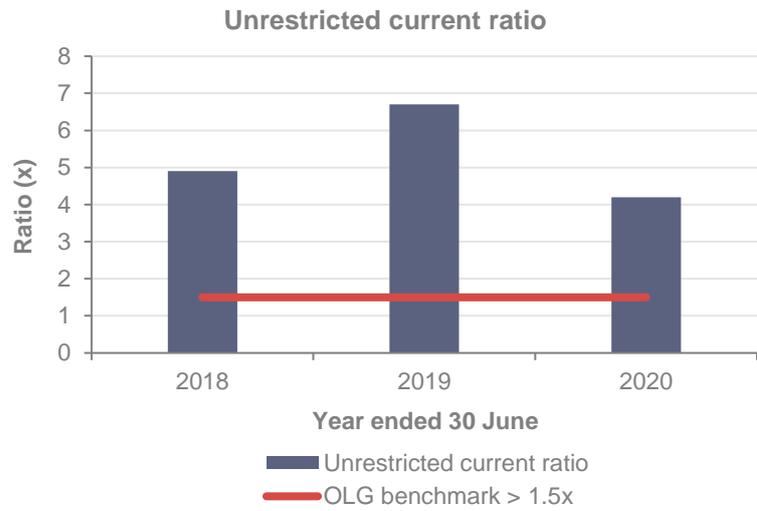
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent. The Council exceeded the OLG benchmark for the current reporting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



Unrestricted current ratio

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

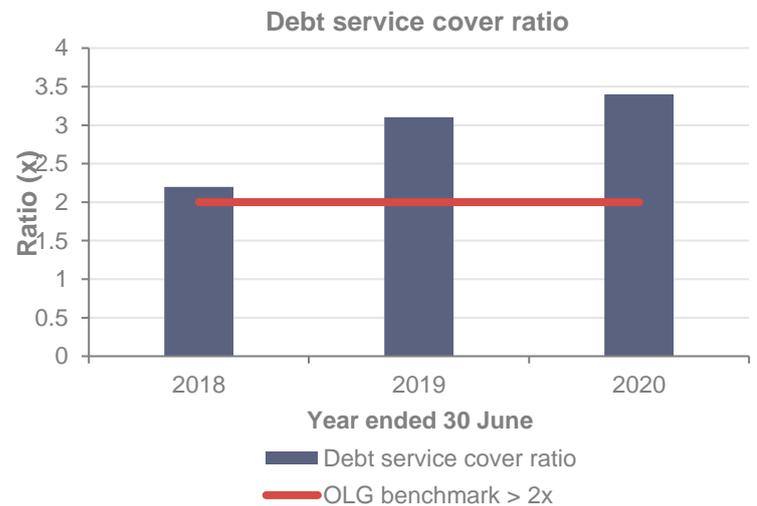
The Council exceeded the OLG benchmark for the current reporting period.



Debt service cover ratio

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

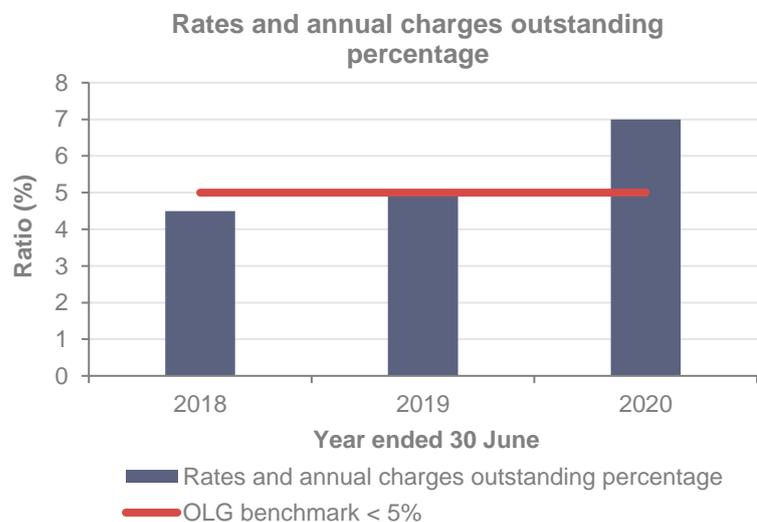
The Council exceeded the OLG benchmark for the current reporting period.



Rates and annual charges outstanding percentage

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 OLG is less than 5 per cent for metro councils.

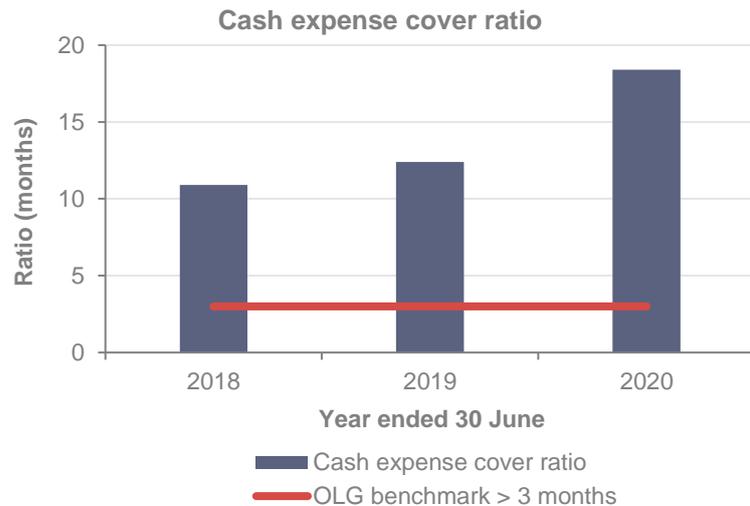
The Council did not meet the OLG benchmark for the current reporting period. This ratio has been impacted by the delay in payments of some rates debts due to the impact of COVID-19.



Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.



Infrastructure, property, plant and equipment renewals

The Council incurred \$56.2 million on asset renewals during 2019-20, which is relatively consistent with asset renewals in the prior year of \$55.3 million.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a council's financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 impacts the timing and amount of income recorded in a council's financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$3.0 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16(c).

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised right-of-use assets of \$33.9 million and lease liabilities of \$31.7 million at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16(c).

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.



Nathan Carter
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 the Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Special Purpose Financial Statements

for the year ended 30 June 2020



**CITY OF
PARRAMATTA**

Special Purpose Financial Statements
for the year ended 30 June 2020

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Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

City of Parramatta Council

Special Purpose Financial Statements

for the year ended 30 June 2020

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:

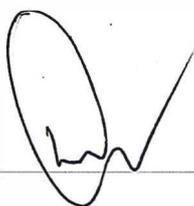
- the NSW Government Policy Statement '*Application of National Competition Policy to Local Government*',
- the Division of Local Government Guidelines '*Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*',
- the Local Government *Code of Accounting Practice and Financial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

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

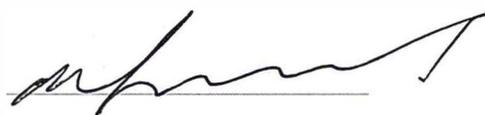
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

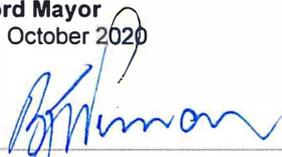
Signed in accordance with a resolution of Council made on 26 October 2020.



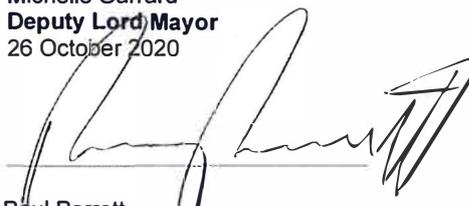
Bob Dwyer
Lord Mayor
26 October 2020



Michelle Garrard
Deputy Lord Mayor
26 October 2020



Brett Newman
Chief Executive Officer
26 October 2020



Paul Perrett
Responsible Accounting Officer
26 October 2020

Income Statement – Car park operations
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	11,509	12,856
Total income from continuing operations	<u>11,509</u>	<u>12,856</u>
Expenses from continuing operations		
Employee benefits and on-costs	402	432
Materials and contracts	1,568	1,630
Depreciation, amortisation and impairment	770	1,111
Calculated taxation equivalents	2,442	2,608
Other expenses	1,852	1,397
Total expenses from continuing operations	<u>7,034</u>	<u>7,178</u>
Surplus (deficit) from continuing operations before capital amounts	4,475	5,678
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(1,231)	(1,561)
SURPLUS (DEFICIT) AFTER TAX	<u>3,244</u>	<u>4,117</u>
Plus accumulated surplus	151,697	226,292
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	2,442	2,608
– Corporate taxation equivalent	1,231	1,561
Closing accumulated surplus	<u>158,614</u>	<u>234,578</u>
Return on capital %	2.7%	3.7%

Income Statement – Leasing of Council property
for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Rental revenue	303	499
Total income from continuing operations	<u>303</u>	<u>499</u>
Expenses from continuing operations		
Employee benefits and on-costs	112	419
Materials and contracts	36	12
Revaluation decrements loss	45	1,570
Depreciation, amortisation and impairment	47	118
Calculated taxation equivalents	32	374
Other expenses	–	60
Total expenses from continuing operations	<u>272</u>	<u>2,553</u>
Surplus (deficit) from continuing operations before capital amounts	31	(2,054)
SURPLUS (DEFICIT) AFTER TAX	<u>31</u>	<u>(2,054)</u>
Plus accumulated surplus	2,257	41,164
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	46	374
Closing accumulated surplus	<u>2,334</u>	<u>39,484</u>
Return on capital %	0.6%	(101.2)%
Subsidy from Council	17	2,118

Statement of Financial Position – Car park operations
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Receivables	11	–
Infrastructure, property, plant and equipment	166,012	154,294
Total non-current assets	166,023	154,294
TOTAL ASSETS	166,023	154,294
LIABILITIES		
Current liabilities		
Payables-due to general fund	900	2,533
Provisions	86	64
Total current liabilities	986	2,597
TOTAL LIABILITIES	986	2,597
NET ASSETS	165,037	151,697
EQUITY		
Accumulated surplus	158,614	234,578
Distribution to Council (equity)	(12,267)	(97,948)
Revaluation reserve	18,690	15,067
TOTAL EQUITY	165,037	151,697

Statement of Financial Position – Leasing of Council property
as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Non-current assets		
Receivables – due from general fund	353	327
Receivables	16	–
Infrastructure, property, plant and equipment	5,272	2,030
Total non-current assets	5,641	2,357
TOTAL ASSETS	5,641	2,357
LIABILITIES		
Current liabilities		
Payables	13	–
Provisions	25	57
Total current liabilities	38	57
Non-current liabilities		
Provisions	24	42
Total non-current liabilities	24	42
TOTAL LIABILITIES	62	99
NET ASSETS	5,579	2,258
EQUITY		
Accumulated surplus	2,334	39,484
Distribution to Council (equity)	2,877	(37,226)
Revaluation reserves	368	–
TOTAL EQUITY	5,579	2,258

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the *Local Government Act 2093 (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.

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations 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 \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 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.

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

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.

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.90% at 30/06/20.

(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 the City of Parramatta Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their 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 28 (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 (including Independence Standards)' (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 2020 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. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY

Special Schedules

for the year ended 30 June 2020



**CITY OF
PARRAMATTA**

Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

	Notes	2020/21 Former Parra- matta City Council	2020/21 Former Hills Shire Council	2020/21 Former Auburn City Council	2020/21 Former Hornsby Shire Council	2020/21 Former Holroyd City Council	2020/21 City of Parra- matta Council	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
Notional general income calculation ¹													
Last year notional general income yield	a	107,082	12,058	15,938	12,089	1,483	148,650	102,260	11,473	14,760	11,311	1,443	141,247
Plus or minus adjustments ²	b	909	215	909	278	1	2,312	2,025	268	759	460	3	3,515
Notional general income	c = a + b	107,991	12,273	16,847	12,367	1,484	150,962	104,285	11,741	15,519	11,771	1,446	144,762
Permissible income calculation													
Or rate peg percentage	e	2.60%	2.60%	2.60%	2.60%	2.60%		2.70%	2.70%	2.70%	2.70%	2.70%	
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%	
Or plus rate peg amount	i = e x (c + g)	2,808	319	438	322	39	3,926	2,816	317	419	318	39	3,909
Sub-total	k = (c + g + h + i + j)	110,799	12,592	17,285	12,689	1,523	154,888	107,101	12,058	15,938	12,089	1,485	148,671
Plus (or minus) last year's carry forward total	l	25	(220)	–	(14)	2	(207)	103	(220)	146	(14)	51	66
Sub-total	n = (l + m)	25	(220)	–	(14)	2	(207)	103	(220)	146	(14)	51	66
Total permissible income	o = k + n	110,824	12,372	17,285	12,675	1,525	154,681	107,204	11,838	16,084	12,075	1,536	148,737
Less notional general income yield	p	111,184	12,592	17,197	12,689	1,522	155,184	107,082	12,058	15,938	12,089	1,483	148,650
Catch-up or (excess) result	q = o – p	(361)	(220)	88	(15)	3	(505)	122	(220)	146	(14)	53	87
Plus income lost due to valuation objections claimed	r	359	–	–	–	–	359	–	–	–	–	–	–
Less unused catch-up ⁴	s	–	–	–	–	–	–	(97)	–	(146)	–	(51)	(294)
Carry forward to next year ⁵	t = q + r + s	(2)	(220)	88	(15)	3	(146)	25	(220)	–	(14)	2	(207)

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.

Permissible income for general rates (continued)

- (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 the City of Parramatta Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of the City of Parramatta Council (the Council) for the year ending 30 June 2021.

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 28 (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 (including Independence Standards)' (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 2020 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 2020'.

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. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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.



Nathan Carter
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

5 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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					\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings	1,514	5,416	13,736	13,348	201,808	268,575	53.1%	36.4%	8.5%	1.8%	0.2%
	Sub-total	1,514	5,416	13,736	13,348	201,808	268,575	53.1%	36.4%	8.5%	1.8%	0.2%
Other structures	Other structures	–	–	–	–	16,001	24,434	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	–	–	16,001	24,434	0.0%	0.0%	100.0%	0.0%	0.0%
Roads	Roads (including kerb and gutter and traffic management devices)	7,514	24,587	11,798	12,446	920,436	1,221,240	32.3%	42.7%	23.2%	1.6%	0.2%
	Bridges	–	–	40	39	68,776	100,938	2.1%	97.9%	0.0%	0.0%	0.0%
	Footpaths	669	2,618	2,560	2,470	146,273	200,780	9.2%	39.0%	50.5%	1.3%	0.0%
	Bulk earthworks	–	–	–	–	103,853	103,853	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	8,183	27,205	14,398	14,955	1,239,338	1,626,811	31.9%	42.9%	23.6%	1.4%	0.2%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 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
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Stormwater drainage	Stormwater drainage	5,548	16,551	3,553	3,170	453,484	647,812	8.4%	66.4%	22.7%	1.7%	0.8%
	Sub-total	5,548	16,551	3,553	3,170	453,484	647,812	8.4%	66.4%	22.7%	1.7%	0.8%
Open space / recreational assets	Swimming pools	–	–	–	–	987	1,512	68.2%	19.0%	12.8%	0.0%	0.0%
	Other open space assets	830	3,023	17,772	17,654	43,264	71,791	40.3%	25.5%	30.0%	3.8%	0.4%
	Sub-total	830	3,023	17,772	17,654	44,251	73,303	40.9%	25.4%	29.6%	3.7%	0.4%
TOTAL - ALL ASSETS		16,075	52,195	49,459	49,127	1,954,882	2,640,935	28.2%	47.1%	22.7%	1.5%	0.3%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

	Amounts	Indicator	Prior period	Benchmark
	2020	2020	2019	
\$ '000			Restated	
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	25,243	78.47%	57.83%	>=100.00%
Depreciation, amortisation and impairment	32,167			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	16,075	0.82%	1.64%	<2.00%
Net carrying amount of infrastructure assets	1,954,882			
Asset maintenance ratio				
Actual asset maintenance	49,127	99.33%	99.85%	>100.00%
Required asset maintenance	49,459			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	52,195	1.98%	3.47%	
Gross replacement cost	2,640,935			

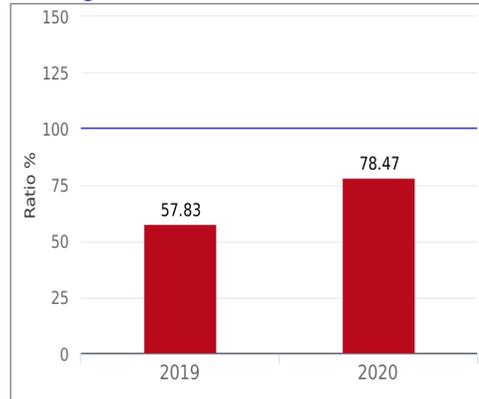
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 78.47%

Council's renewals ratio has improved significantly in 2020, however the result is still outside the benchmark. Although council continues to maintain its asset renewal funding, the ratio has not recovered from 2018 due to the increasing depreciation arising from new assets being delivered as part of Parramatta Square Development and Wentworth Point Library.

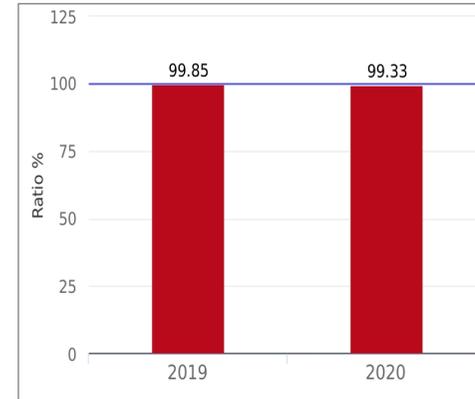
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

19/20 ratio 99.33%

Council's maintenance ratio has been maintained from the prior year and close to achieving the benchmark. Based on this ratio, it can be seen that Council is investing an adequate amount in maintenance.

Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 0.82%

Council's backlog ratio has improved significantly as a result of asset condition assessments conducted in the financial year period. The backlog ratio has decreased favourably mainly due to the reduction in the percentage of poor and very poor condition assets in the stormwater asset class.

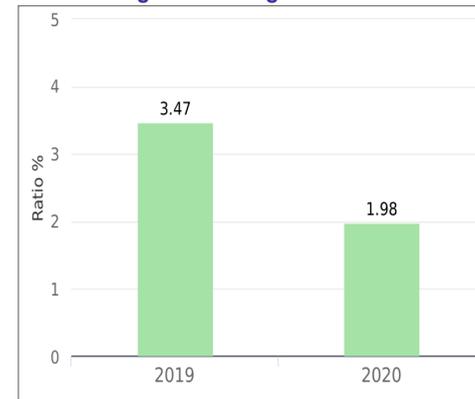
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

Commentary on result

19/20 ratio 1.98%

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