



Lifestyle and opportunity @ your doorstep

A horizontal bar composed of a series of small, colored squares in shades of pink, purple, blue, green, yellow, orange, and red.

# **General and Special Purpose Financial Statements**

Year Ended 30 June 2018



## CONTENTS

|   |           |
|---|-----------|
| <b>Statement by Councillors and Management</b>  | <b>4</b>  |
| <b>General Purpose Financial Statements</b>   |           |
| • Income Statement  | 5         |
| • Statement of Comprehensive Income   | 6         |
| • Statement of Financial Position   | 7         |
| • Statement of Changes in Equity  | 8         |
| • Statement of Cash Flows   | 9         |
| <b>Notes to the Financial Statements</b>  |           |
| Note 1 Basis of preparation   | 10        |
| Note 2(a) Functions or Activities   | 13        |
| Note 2(b) Components of functions or activities   | 14        |
| Note 3 Income from continuing operations  | 16        |
| Note 4 Expenses from continuing operations  | 22        |
| Note 5 Gain or loss from the disposal of assets   | 28        |
| Note 6(a) Cash and cash equivalents   | 29        |
| Note 6(b) Investments   | 29        |
| Note 6(c) Restricted Cash, Cash Equivalents and Investments   | 32        |
| Note 7 Receivables  | 34        |
| Note 8 Inventories and other assets   | 36        |
| Note 9 Infrastructure, property, plant and equipment  | 37        |
| Note 10 Investment properties   | 40        |
| Note 11 Payables and borrowings   | 41        |
| Note 12 Provisions  | 43        |
| Note 13 Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 45        |
| Note 14 Statement of cash flow information  | 47        |
| Note 15 Commitments   | 48        |
| Note 16 Contingencies and other liabilities/assets not recognised   | 49        |
| Note 17 Financial Risk Management   | 53        |
| Note 18 Material Budget Variations  | 57        |
| Note 19 Fair value measurement  | 59        |
| Note 20 Related party disclosures   | 63        |
| Note 21 Statement of developer contributions  | 64        |
| Note 22 Statement of performance measures - consolidated results  | 65        |
| <b>Auditors Reports</b>   | <b>66</b> |

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

Council of the City of Ryde  
Level 1, Building 0  
Binary Centre  
3 Richardson Place  
North Ryde NSW 2113

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.ryde.nsw.gov.au](http://www.ryde.nsw.gov.au)

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

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

- The Local Government Act 1993 (NSW) (as amended) and the Regulations made thereunder
- The Australian Accounting Standards and professional 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:

- presents fairly the council's operating result and financial position for the year, and
- accords with council's accounting and other records

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

Signed in accordance with a resolution of Council made on 30 October 2018.



Councillor Jerome Laxale

**Mayor**

30 / 10 / 2018



Councillor Simon Zhou

**Deputy Mayor**

30 / 10 / 2018



George Dedes

**General Manager**

30 / 10 / 18



Christine Joyce

**Responsible Accounting Officer**

30 / 10 / 18

## INCOME STATEMENT

| Original<br>unaudited<br>Budget<br>2018<br>(\$'000) |   | Notes  | Actual<br>2018<br>(\$'000) | Restated<br>Actual<br>2017<br>(\$'000) |
|---|---|--------|----------------------------|--|
| <b>INCOME FROM CONTINUING OPERATIONS</b>            |   |        |                            |  |
| 82,315  | Rates and annual charges  | 3(a)   | 83,790                     | 77,629                                 |
| 16,571  | User charges and fees   | 3(b)   | 18,865                     | 17,183                                 |
| 4,165   | Interest and investment revenue   | 3(c)   | 6,096                      | 5,625                                  |
| 9,294   | Other revenues  | 3(d)   | 10,207                     | 8,690                                  |
| 7,236   | Grants & contributions provided for operating purposes  | 3(e&f) | 7,244                      | 9,064                                  |
| 20,414  | Grants & contributions provided for capital purposes  | 3(e&f) | 28,448                     | 25,720                                 |
| <b>Other Income:</b>                                |   |        |                            |  |
| -   | Fair value increment on investment properties   | 10     | 1,625                      | 2,375                                  |
| <b>139,995</b>                                      | <b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>  |        | <b>156,275</b>             | <b>146,286</b>                         |
| <b>EXPENSES FROM CONTINUING OPERATIONS</b>          |   |        |                            |  |
| 47,641  | Employee benefits and on-costs  | 4(a)   | 46,127                     | 43,945                                 |
| 146   | Borrowing costs   | 4(b)   | 110                        | 139                                    |
| 30,621  | Materials and contracts   | 4(c)   | 31,632                     | 29,604                                 |
| 16,295  | Depreciation and amortisation   | 4(d)   | 16,699                     | 15,121                                 |
| 20,149  | Other expenses  | 4(e)   | 15,244                     | 16,877                                 |
| -   | Net loss from the disposal of assets  | 5      | 14,231                     | 7,623                                  |
| <b>114,852</b>                                      | <b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>  |        | <b>124,043</b>             | <b>113,309</b>                         |
| <b>25,143</b>                                       | <b>OPERATING RESULT FROM CONTINUING OPERATIONS</b>  |        | <b>32,232</b>              | <b>32,977</b>                          |
| <b>25,143</b>                                       | <b>NET OPERATING RESULT FOR THE YEAR</b>  |        | <b>32,232</b>              | <b>32,977</b>                          |
| 25,143  | Net operating result for the year attributable to Council                                       |        | 32,232                     | 32,977                                 |
| 4,729   | Net operating result for the year before grants and contributions provided for capital purposes |        | 3,784                      | 7,257                                  |

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

STATEMENT OF COMPREHENSIVE INCOME

|  | Notes | 2018<br>(\$'000) | Restated<br>2017<br>(\$'000) |
|--|-------|------------------|------------------------------|
| <b>Net operating result for the year - from Income Statement</b>               |       | 32,232           | 32,977                       |
| <b>Other comprehensive income</b>  |       |                  |                              |
| <b>Amounts which will not be reclassified subsequently to operating result</b> |       |                  |                              |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment    | 9     | <u>(12,639)</u>  | <u>73,681</u>                |
| <b>Total other comprehensive income for the year</b>                           |       | (12,639)         | 73,681                       |
| <b>Total comprehensive income for the year</b>                                 |       | <u>19,593</u>    | <u>106,658</u>               |
| Attributable to:   |       |                  |                              |
| - Council  |       | 19,593           | 106,658                      |

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

STATEMENT OF FINANCIAL POSITION

|   | Notes | 2018<br>(\$'000)        | Restated<br>2017<br>(\$'000) | Restated<br>1/07/2016<br>(\$'000) |
|---|-------|-------------------------|------------------------------|-----------------------------------|
| <b>ASSETS</b>                                 |       |                         |                              |                                   |
| <b>Current assets</b>                         |       |                         |                              |                                   |
| Cash and cash equivalents                     | 6(a)  | 7,539                   | 6,823                        | 9,464                             |
| Investments                                   | 6(b)  | 94,712                  | 89,250                       | 91,248                            |
| Receivables                                   | 7     | 12,228                  | 11,125                       | 8,835                             |
| Inventories                                   | 8     | 828                     | 894                          | 646                               |
| Other   | 8     | 2,478                   | 2,795                        | 3,020                             |
| <b>Total current assets</b>                   |       | <u>117,785</u>          | <u>110,887</u>               | <u>113,213</u>                    |
| <b>Non-current assets</b>                     |       |                         |                              |                                   |
| Investments                                   | 6(b)  | 108,499                 | 90,379                       | 77,331                            |
| Receivables                                   | 7     | 79                      | 72                           | 936                               |
| Infrastructure, property, plant and equipment | 9     | 1,150,015               | 1,152,904                    | 1,058,929                         |
| Investment property                           | 10    | 117,165                 | 115,540                      | 113,165                           |
| <b>Total non-current assets</b>               |       | <u>1,375,758</u>        | <u>1,358,895</u>             | <u>1,250,361</u>                  |
| <b>TOTAL ASSETS</b>                           |       | <u><u>1,493,543</u></u> | <u><u>1,469,782</u></u>      | <u><u>1,363,574</u></u>           |
| <b>LIABILITIES</b>                            |       |                         |                              |                                   |
| <b>Current liabilities</b>                    |       |                         |                              |                                   |
| Payables                                      | 11    | 27,526                  | 23,237                       | 23,937                            |
| Income received in advance                    | 11    | 1,500                   | 1,477                        | 964                               |
| Borrowings                                    | 11    | 911                     | 891                          | 873                               |
| Provisions                                    | 11    | 13,269                  | 12,516                       | 11,897                            |
| <b>Total current liabilities</b>              |       | <u>43,206</u>           | <u>38,121</u>                | <u>37,671</u>                     |
| <b>Non-current liabilities</b>                |       |                         |                              |                                   |
| Borrowings                                    | 11    | 1,710                   | 2,620                        | 3,503                             |
| Provisions                                    | 11    | 163                     | 170                          | 187                               |
| <b>Total non-current liabilities</b>          |       | <u>1,873</u>            | <u>2,790</u>                 | <u>3,690</u>                      |
| <b>TOTAL LIABILITIES</b>                      |       | <u><u>45,079</u></u>    | <u><u>40,911</u></u>         | <u><u>41,361</u></u>              |
| <b>NET ASSETS</b>                             |       | <u><u>1,448,464</u></u> | <u><u>1,428,871</u></u>      | <u><u>1,322,213</u></u>           |
| <b>EQUITY</b>                                 |       |                         |                              |                                   |
| Accumulated Surplus                           |       | 1,208,491               | 1,176,259                    | 1,143,282                         |
| Revaluation reserves                          |       | 239,973                 | 252,612                      | 178,931                           |
| Council interest                              |       | 1,448,464               | 1,428,871                    | 1,322,213                         |
| <b>TOTAL EQUITY</b>                           |       | <u><u>1,448,464</u></u> | <u><u>1,428,871</u></u>      | <u><u>1,322,213</u></u>           |

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

STATEMENT OF CHANGES IN EQUITY

|   | 2018<br>(\$'000)    |                           |                         |              | Restated 2017<br>(\$'000) |                           |                         |              |
|---|---------------------|---------------------------|-------------------------|--------------|---------------------------|---------------------------|-------------------------|--------------|
|   | Accumulated Surplus | IPP&E Revaluation Reserve | Council Equity Interest | Total Equity | Accumulated Surplus       | IPP&E Revaluation Reserve | Council Equity Interest | Total Equity |
| Opening balance   | 1,176,259           | 252,612                   | 1,428,871               | 1,428,871    | 1,196,428                 | 125,785                   | 1,322,213               | 1,322,213    |
| Correction of errors  | -                   | -                         | -                       | -            | (53,146)                  | 53,146                    | -                       | -            |
| Restated opening balance  | 1,176,259           | 252,612                   | 1,428,871               | 1,428,871    | 1,143,282                 | 178,931                   | 1,322,213               | 1,322,213    |
| Net operating result for the year   | 32,232              |                           | 32,232                  | 32,232       | 32,977                    |                           | 32,977                  | 32,977       |
| Other comprehensive income  |                     |                           |                         |              |                           |                           |                         |              |
| Gain (loss) on revaluation of infrastructure, property, plant and equipment |                     | (12,639)                  | (12,639)                | (12,639)     |                           | 73,681                    | 73,681                  | 73,681       |
| Total comprehensive income  | 32,232              | (12,639)                  | 19,593                  | 19,593       | 32,977                    | 73,681                    | 106,658                 | 106,658      |
| Transfers between Equity Items  |                     |                           |                         |              |                           |                           |                         |              |
| Closing balance   | 1,208,491           | 239,973                   | 1,448,464               | 1,448,464    | 1,176,259                 | 252,612                   | 1,428,871               | 1,428,871    |

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

STATEMENT OF CASH FLOWS

| Original<br>unaudited<br>Budget*<br>2018<br>(\$'000) |   | Notes | Actual<br>2018<br>(\$'000) | Actual<br>2017<br>(\$'000) |
|--|---|-------|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |   |       |                            |                            |
| <b>Receipts</b>                                      |   |       |                            |                            |
| 82,315   | Rates & annual charges  |       | 83,376                     | 77,400                     |
| 17,914   | User charges & fees   |       | 19,943                     | 18,604                     |
| 4,165  | Investment revenue and interest                                     |       | 5,878                      | 5,555                      |
| 7,741  | Grants and contributions  |       | 35,970                     | 34,214                     |
| -  | Deposits and retentions   |       | 4,331                      | 3,346                      |
| 9,705  | Other   |       | 8,347                      | 8,919                      |
| <b>Payments</b>                                      |   |       |                            |                            |
| (47,753)   | Employee benefits and on-costs                                      |       | (45,439)                   | (43,503)                   |
| (31,835)   | Materials and contracts   |       | (33,421)                   | (32,714)                   |
| (146)  | Borrowing costs   |       | (113)                      | (144)                      |
| -  | Deposits and retentions   |       | (1,782)                    | (3,579)                    |
| (21,828)   | Other   |       | (11,385)                   | (14,975)                   |
| 20,279   | <b>Net cash provided from (or used) in<br/>operating activities</b> | 14(b) | 65,705                     | 53,123                     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |   |       |                            |                            |
| <b>Receipts</b>                                      |   |       |                            |                            |
| 89,250   | Sale of investments   |       | 71,694                     | 57,301                     |
| 1,100  | Sale of infrastructure, property, plant and equipment               |       | 1,633                      | 1,325                      |
| <b>Payments</b>                                      |   |       |                            |                            |
| (89,250)   | Purchase of investments   |       | (95,178)                   | (68,276)                   |
| (43,376)   | Purchase of property, plant and equipment                           |       | (42,248)                   | (45,249)                   |
| (42,276)   | <b>Net cash provided from (or used in)<br/>investing activities</b> |       | (64,099)                   | (54,899)                   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>          |   |       |                            |                            |
| <b>Receipts</b>                                      |   |       |                            |                            |
| 350  | Borrowings and advances   |       | -                          | -                          |
| <b>Payments</b>                                      |   |       |                            |                            |
| (914)  | Borrowings and advances repaid                                      |       | (890)                      | (865)                      |
| (564)  | <b>Net cash provided from (or used in)<br/>financing activities</b> |       | (890)                      | (865)                      |
| (22,561)   | Net increase/(decrease) in cash & cash equivalents                  |       | 716                        | (2,641)                    |
| 6,823  | Cash & cash equivalents at beginning reporting period               |       | 6,823                      | 9,464                      |
| (15,738)   | <b>Cash &amp; Cash Equivalents at end of Reporting Period</b>       | 14(a) | 7,539                      | 6,823                      |

\* Original budget as approved by Council - Refer Note 18

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

## NOTE 1 BASIS OF PREPARATION

These financial statements were authorised for issue by Council on 30/10/2018. Council has the power to amend and reissue these financial statements.

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

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

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

The following new standards and amendments were adopted during the year of which have no impact for the Council:

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

### (ii) Historical cost convention

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

### (iii) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

#### Critical accounting estimates and assumptions

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

- (i) Estimated fair values of investment properties – refer Note 10
- (ii) Estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iii) Estimated old landfill site/tip remediation provisions – refer Note 16
- (iv) Employee benefit provisions – refer Note 12

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

- (i) Impairment of Receivables  
Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Valuation of Infrastructure assets

Council employs a number of staff who possess Tertiary qualifications in Engineering. Those staff are also responsible for estimating the cost of construction of new infrastructure works, especially for works done in-house. Using this expertise Council has revalued its infrastructure assets to the cost of replacing those assets in-house.

## NOTE 1 BASIS OF PREPARATION (CONTINUED)

Those estimates are based on recent actual costs to replace infrastructure assets by Council.

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

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

### Monies and other assets received by Council

#### (i) The Consolidated Fund

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

#### (ii) The Trust Fund

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

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

### Goods and Services Tax (GST)

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

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

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

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

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

The Council of the City of Ryde has not applied any pronouncements before their operative date in the annual reporting period beginning 1 July 2017.

#### **Effective for annual reporting periods beginning on or after 1 January 2018**

AASB 9 Financial Instruments and Associated Amending Standards

#### **Effective for annual reporting periods on or after 1 January 2019**

AASB 16 Leases

AASB 15 *Revenue from Contracts with Customers*, and associated amending standards

AASB 1058 *Income of NFP Entities*

AASB 2017 – 1 *Amendments to Australian Accounting Standards – Transfers of Investment Property 2014-2016 Cycle and Other Amendments (AASB 1, AASB 128, AASB 140)*

## NOTE 1 BASIS OF PREPARATION (CONTINUED)

AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements Cycle 2015 – 2017 Cycle*

AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*

### **Effective for annual reporting periods beginning on or after 1 January 2022**

AASB2014-10 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. AASB2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*.

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

The full impact of these standards has yet to be ascertained or quantified but will be assessed during the 2018/19 financial year.

### **Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

NOTE 2(a) FUNCTIONS OR ACTIVITIES

| FUNCTIONS/ACTIVITIES                     | INCOME, EXPENSES AND ASSETS HAVE BEEN DIRECTLY ATTRIBUTED TO THE FOLLOWING FUNCTIONS / ACTIVITIES<br>DETAILS OF THESE FUNCTIONS / ACTIVITIES ARE PROVIDED IN NOTE 2(b) |                      |                                     |                      |  |                      |  |                      |   |                  |  |  |
|--|--|----------------------|-------------------------------------|----------------------|--|----------------------|--|----------------------|---|------------------|--|--|
|  | INCOME FROM CONTINUING OPERATIONS  |                      | EXPENSES FROM CONTINUING OPERATIONS |                      | OPERATING RESULTS FROM CONTINUING OPERATIONS |                      | GRANTS INCLUDED IN INCOME FROM CONTINUING OPERATIONS |                      | TOTAL ASSETS HELD (CURRENT AND NON-CURRENT) |                  |  |  |
|  | Actual 2018  | Restated Actual 2017 | Actual 2018                         | Restated Actual 2017 | Actual 2018                                  | Restated Actual 2017 | Actual 2018  | Restated Actual 2017 | Actual 2018                                 | Actual 2017      |  |  |
| \$'000                                   | \$'000   | \$'000               | \$'000                              | \$'000               | \$'000                                       | \$'000               | \$'000   | \$'000               | \$'000                                      | \$'000           |  |  |
| <b>Programs</b>                          |  |                      |                                     |                      |  |                      |  |                      |   |                  |  |  |
| Catchment program                        | 1,096  | 155                  | 3,877                               | 3,753                | (2,781)                                      | (3,598)              |  |                      | 200,909                                     | 202,870          |  |  |
| Centres and Neighbourhood program        | 387  | 2,396                | 3,980                               | 3,665                | (3,593)                                      | (1,269)              | 364  | 364                  | 10,230                                      | 10,112           |  |  |
| Community and Cultural program           | 1,974  | 1,827                | 5,333                               | 4,337                | (3,359)                                      | (2,510)              | 673  | 734                  | 230   | 230              |  |  |
| Customer and Community Relations program | 13   | 37                   | 2,944                               | 3,096                | (2,931)                                      | (3,059)              |  | 3                    |   |                  |  |  |
| Economic Development program             | 6  | 9                    | 386                                 | 340                  | (380)  | (831)                | 2  | 5                    |   |                  |  |  |
| Environmental program                    | 9  | 8                    | 547                                 | 556                  | (538)  | (548)                |  |                      |   |                  |  |  |
| Foreshore program                        | 60   | 18                   | 91                                  | 91                   | (31)   | (73)                 | 60   | 18                   |   |                  |  |  |
| Governance and Civic program             | 13   | 6                    | 4,136                               | 3,464                | (4,123)                                      | (3,458)              |  |                      |   |                  |  |  |
| Internal Corporate Services program      | 8,191  | 8,316                | 12,506                              | 14,097               | (4,315)                                      | (5,781)              | 57   | 164                  | 536,456                                     | 514,241          |  |  |
| Land Use Planning program                | 24,779   | 15,648               | 1,489                               | 1,552                | 23,310                                       | 14,096               |  |                      |   |                  |  |  |
| Library program                          | 1,126  | 1,110                | 5,779                               | 5,640                | (4,653)                                      | (4,530)              | 295  | 291                  | 1,222                                       | 1,187            |  |  |
| Open Space, Sport & Recreation program   | 7,189  | 12,201               | 17,940                              | 16,704               | (10,751)                                     | (4,503)              | 80   | 5,095                | 249,903                                     | 246,770          |  |  |
| Organisational Development program       | 10   | 39                   | 253                                 | 286                  | (243)  | (247)                |  |                      |   |                  |  |  |
| Paths and Cycleways program              | 765  | 229                  | 2,182                               | 2,266                | (1,417)                                      | (2,037)              | 765  | 228                  |   |                  |  |  |
| Property Portfolio program               | 2,626  | 2,302                | 5,494                               | 6,555                | (2,868)                                      | (4,253)              |  |                      | 117,165                                     | 115,540          |  |  |
| Regulatory program                       | 12,252   | 10,674               | 7,947                               | 8,003                | 4,305  | 2,671                |  |                      |   |                  |  |  |
| Risk Management program                  | 140  | 109                  | 3,608                               | 3,109                | (3,468)                                      | (3,000)              |  |                      |   |                  |  |  |
| Roads program                            | 2,500  | 3,091                | 24,394                              | 15,964               | (21,894)                                     | (12,873)             | 1,662  | 2,982                | 376,202                                     | 377,712          |  |  |
| Strategic City program                   |  |                      | 296                                 | 188                  | (296)  | (188)                |  |                      |   |                  |  |  |
| Traffic & Transport program              | 2,407  | 2,003                | 2,515                               | 2,205                | (108)  | (202)                | 1,186  | 1,080                |   |                  |  |  |
| Waste and Recycling program              | 22,761   | 21,809               | 18,366                              | 17,438               | 4,395  | 4,371                | 236  | 217                  | 1,226                                       | 1,120            |  |  |
| <b>Total Functions &amp; Activities</b>  | <b>88,304</b>  | <b>81,987</b>        | <b>124,043</b>                      | <b>113,309</b>       | <b>(35,739)</b>                              | <b>(31,322)</b>      | <b>5,380</b>   | <b>11,181</b>        | <b>1,493,543</b>                            | <b>1,469,782</b> |  |  |
| <b>General Purpose Income</b>            | <b>67,971</b>  | <b>64,299</b>        | <b>67,971</b>                       | <b>64,299</b>        | <b>67,971</b>                                | <b>64,299</b>        | <b>2,878</b>   | <b>3,998</b>         |   |                  |  |  |
| <b>Totals</b>                            | <b>156,275</b>   | <b>146,286</b>       | <b>124,043</b>                      | <b>113,309</b>       | <b>32,232</b>                                | <b>32,977</b>        | <b>8,258</b>   | <b>15,179</b>        | <b>1,493,543</b>                            | <b>1,469,782</b> |  |  |

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

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

### **Catchment program**

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

### **Centres and Neighbourhood program**

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

### **Community and Cultural program**

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

### **Customer and Community Relations program**

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

### **Economic Development program**

Business sector and economic development.

### **Environmental program**

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

### **Foreshore program**

Managing all aspects of our foreshore.

### **Governance and Civic program**

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

### **Internal Corporate Services program**

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

### **Land Use Planning program**

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

### **Library program**

Delivering all our library services.

### **Open Space, Sport & Recreation program**

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

### **Organisational Development program**

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

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

### **Paths and Cycleways program**

Developing, managing and maintaining our footpaths and cycleways.

### **Property Portfolio program**

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

### **Regulatory program**

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

### **Risk Management program**

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

### **Roads program**

Managing and maintaining our roads, bridges and retaining walls.

### **Strategic City program**

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

### **Traffic & Transport program**

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

### **Waste and Recycling program**

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

**NOTE 3 INCOME FROM CONTINUING OPERATIONS**

|  | 2018<br>(\$'000)     | 2017<br>(\$'000)     |
|--|----------------------|----------------------|
| <b>(a) Rates and Annual Charges</b>  |                      |                      |
| <b>Ordinary rates</b>  |                      |                      |
| Residential  | 30,202               | 28,628               |
| Business   | 15,900               | 15,928               |
| Environmental management levy  | 7,126                | 6,845                |
| Less: Pensioner rebates (mandatory)  | (760)                | (792)                |
| Less: Pensioner rebates (council)  | (22)                 | (25)                 |
| <b>Total ordinary rates</b>  | <b><u>52,446</u></b> | <b><u>50,584</u></b> |
| <b>Special rates</b>   |                      |                      |
| Macquarie park   | 1,378                | 1,347                |
| Infrastructure special rate levy   | 8,692                | 5,157                |
| <b>Total special rates</b>   | <b><u>10,070</u></b> | <b><u>6,504</u></b>  |
| <b>Annual charges (pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</b> |                      |                      |
| Domestic waste management services   | 20,341               | 19,556               |
| Non-rateable waste management charges  | 125                  | 137                  |
| Stormwater management service charge   | 1,044                | 1,029                |
| Section 611 charges  | 148                  | 223                  |
| Less: Pensioner rebates (mandatory)  | (372)                | (391)                |
| Less: Pensioner rebates (council)  | (12)                 | (13)                 |
| <b>Total annual charges</b>  | <b><u>21,274</u></b> | <b><u>20,541</u></b> |
| <b>Total rates and annual charges</b>  | <b><u>83,790</u></b> | <b><u>77,629</u></b> |

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

**Accounting policy for rates and annual charges**

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

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

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

|   | 2018<br>(\$'000)     | 2017<br>(\$'000)     |
|---|----------------------|----------------------|
| <b>(b) User charges and fees</b>        |                      |                      |
| <b>User charges (pursuant to s.502)</b> |                      |                      |
| Aquatic centre                          | 5,656                | 5,850                |
| Sports facility rental                  | 880                  | 709                  |
| Hall hire                               | 478                  | 430                  |
| Road restorations                       | 904                  | 767                  |
| Gutter crossings                        | 65                   | 81                   |
| Commercial waste service                | 1,348                | 1,303                |
| Other                                   | 211                  | 100                  |
| <b>Total user charges</b>               | <u>9,542</u>         | <u>9,240</u>         |
| <b>Fees</b>                             |                      |                      |
| Regulatory/statutory fees               | 3,810                | 3,258                |
| s603 certificates                       | 160                  | 169                  |
| Discretionary                           |                      |                      |
| - Parking fees                          | 1,772                | 1,600                |
| - Environmental planning                | 2,839                | 2,212                |
| - Private works                         | 60                   | 147                  |
| - Home maintenance & modification       | 66                   | 67                   |
| - Other                                 | 616                  | 490                  |
| <b>Total fees</b>                       | <u>9,323</u>         | <u>7,943</u>         |
| <b>Total user charges and fees</b>      | <u><b>18,865</b></u> | <u><b>17,183</b></u> |

**Accounting policy for user charges and fees**

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

|  | 2018<br>(\$'000)    | 2017<br>(\$'000)    |
|--|---------------------|---------------------|
| <b>(c) Interest and investment revenue</b>   |                     |                     |
| Overdue rates & annual charges               | 206                 | 197                 |
| Cash, cash equivalents and investments:      |                     |                     |
| - Externally restricted                      | 1,979               | 1,922               |
| - Internally restricted                      | -                   | -                   |
| - Unrestricted                               | 3,888               | 3,484               |
| Amortisation of discounts and premiums:      |                     |                     |
| - Investments held to maturity               | 23                  | 22                  |
| <b>Total interest and investment revenue</b> | <u><b>6,096</b></u> | <u><b>5,625</b></u> |

**Accounting policy for interest and investment revenue**

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

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

|   | <b>2018</b><br><b>(\$'000)</b> | <b>2017</b><br><b>(\$'000)</b> |
|---|--------------------------------|--------------------------------|
| <b>(d) Other revenues</b>               |                                |                                |
| Rental income:                          |                                |                                |
| - Investment property                   | 700                            | 568                            |
| - Other property                        | 2,299                          | 1,976                          |
| Parking fines                           | 4,095                          | 4,026                          |
| Other fines                             | 44                             | 63                             |
| Ex gratia payments                      | 232                            | 40                             |
| Materials recycling                     | 891                            | 272                            |
| Lease - telecommunications              | 108                            | 107                            |
| Legal fees recoveries                   |                                |                                |
| - Rates                                 | 7                              | 1                              |
| - Other                                 | 72                             | 72                             |
| Insurance claims                        | 1                              | 1                              |
| Staff vehicle leases and other payments | 781                            | 674                            |
| Eastwood plaza                          | 7                              | 43                             |
| Sundry sales                            | 60                             | 59                             |
| Other                                   | 910                            | 788                            |
| <b>Total other revenue</b>              | <u><b>10,207</b></u>           | <u><b>8,690</b></u>            |

**Accounting policy for other revenues**

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

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

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

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

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

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

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

|   | OPERATING           |                     | CAPITAL             |                     |
|---|---------------------|---------------------|---------------------|---------------------|
|   | 2018<br>(\$'000)    | 2017<br>(\$'000)    | 2018<br>(\$'000)    | 2017<br>(\$'000)    |
| <b>(e) Grants</b>                           |                     |                     |                     |                     |
| <b>General purpose (untied)</b>             |                     |                     |                     |                     |
| Financial assistance                        | 3,395               | 4,872               | -                   | -                   |
| Pensioner rebate subsidy - rates            | 398                 | 443                 | -                   | -                   |
| Total general purpose (untied)              | <u>3,793</u>        | <u>5,315</u>        | <u>-</u>            | <u>-</u>            |
| <b>Specific purpose</b>                     |                     |                     |                     |                     |
| Pensioner rebate subsidy - domestic waste   | 196                 | 217                 | -                   | -                   |
| Macquarie park construction                 | -                   | -                   | -                   | 5,000               |
| Library                                     | 295                 | 291                 | -                   | -                   |
| Home maintenance & modification             | 368                 | 410                 | -                   | -                   |
| Apprentice rebate scheme                    | -                   | 3                   | -                   | -                   |
| Community staff funding                     | 271                 | 267                 | -                   | -                   |
| Street & traffic lighting                   | 364                 | 364                 | -                   | -                   |
| Roads To recovery                           | -                   | -                   | 749                 | 1,365               |
| Transport                                   | -                   | -                   | 1,945               | 1,535               |
| Work Health & Safety incentive rebate       | 58                  | 164                 | -                   | -                   |
| Local infrastructure renewal scheme subsidy | 67                  | 75                  | -                   | -                   |
| Other                                       | 144                 | 147                 | 8                   | 26                  |
| Total specific purpose                      | <u>1,763</u>        | <u>1,938</u>        | <u>2,702</u>        | <u>7,926</u>        |
| <b>Total grants</b>                         | <b><u>5,556</u></b> | <b><u>7,253</u></b> | <b><u>2,702</u></b> | <b><u>7,926</u></b> |
| <b>Comprising:</b>                          |                     |                     |                     |                     |
| - Commonwealth funding                      | 3,690               | 5,163               | 749                 | -                   |
| - State funding                             | 1,866               | 2,090               | 1,953               | 7,926               |
|   | <u>5,556</u>        | <u>7,253</u>        | <u>2,702</u>        | <u>7,926</u>        |

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

|   | OPERATING        |                  | CAPITAL          |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2018<br>(\$'000) | 2017<br>(\$'000) | 2018<br>(\$'000) | 2017<br>(\$'000) |
| <b>(f) Contributions</b>                              |                  |                  |                  |                  |
| Developer contributions (s7.11)                       |                  |                  |                  |                  |
| - Open space  | -                | -                | 17,070           | 10,381           |
| - Drainage  | -                | -                | 889              | 444              |
| - Traffic facilities                                  | -                | -                | 1,865            | 1,515            |
| - Other   | -                | -                | 141              | 56               |
| - Community facilities                                | -                | -                | 4,731            | 2,778            |
| Voluntary planning agreements (s7.4)                  | -                | -                | -                | 2,021            |
| <b>Non-cash contributions</b>                         |                  |                  |                  |                  |
| s7.11 affordable housing                              | -                | -                | -                | 300              |
| <b>Total developer contributions</b>                  | <u>-</u>         | <u>-</u>         | <u>24,696</u>    | <u>17,495</u>    |
| <b>Other Contributions</b>                            |                  |                  |                  |                  |
| Other councils  | 722              | 706              | -                | -                |
| Community events                                      | 138              | 175              | -                | -                |
| Community Bus Service                                 | -                | 109              | -                | -                |
| North Ryde Office Fitout                              | -                | -                | -                | 50               |
| Other   | 80               | 7                | 1,048            | 181              |
| RMS contributions                                     |                  |                  |                  |                  |
| - Roads & bridges                                     | 392              | 386              | -                | -                |
| - Other   | 70               | 68               | -                | -                |
| Customer/resident contributions                       | -                | -                | 2                | 68               |
| LSL contributions from other councils                 | 142              | 100              | -                | -                |
| DWM better waste and recycling fund                   | 144              | 260              | -                | -                |
| <b>Total other contributions</b>                      | <u>1,688</u>     | <u>1,811</u>     | <u>1,050</u>     | <u>299</u>       |
| <b>Total contributions</b>                            | <u>1,688</u>     | <u>1,811</u>     | <u>25,746</u>    | <u>17,794</u>    |
| <b>Total Grants &amp; Contributions (e) &amp; (f)</b> | <u>7,244</u>     | <u>9,064</u>     | <u>28,448</u>    | <u>25,720</u>    |

**Accounting policy for grants and contributions**

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

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

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

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

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

|  | 2018<br>(\$'000) | 2017<br>(\$'000) |
|--|------------------|------------------|
| <b>(g) Unspent grants and contributions</b>  |                  |                  |
| <p>Certain grants and contributions are obtained by Council on the condition that they be spent in a specified manner:</p> |                  |                  |
| <b>Operating Grants</b>  |                  |                  |
| Operating grants recognised in the current reporting period which have not been spent                                      | 440              | 511              |
| Operating grants recognised in previous reporting periods which have been spent in the current reporting period            | (234)            | (314)            |
| <b>Capital Grants</b>  |                  |                  |
| Capital grants recognised in the current reporting period which have not been spent  | 11               | 4,862            |
| Capital grants recognised in previous reporting periods which have been spent in the current reporting period              | (2,380)          | (484)            |
| <b>Contributions</b>   |                  |                  |
| Contributions recognised in the current reporting period which have not been spent   | 26,675           | 19,117           |
| Contributions recognised in previous reporting periods which have been spent in the current reporting period               | (16,430)         | (16,609)         |

**NOTE 4 EXPENSES FROM CONTINUING OPERATIONS**

|   | <b>2018</b><br><b>(\$'000)</b> | <b>2017</b><br><b>(\$'000)</b> |
|---|--------------------------------|--------------------------------|
| <b>(a) Employee Benefits &amp; On Costs</b> |                                |                                |
| Salaries and wages                          | 36,210                         | 32,851                         |
| Employee leave entitlements                 | 9,668                          | 8,721                          |
| Superannuation                              | 4,700                          | 4,307                          |
| Workers' compensation insurance             | 576                            | 1,603                          |
| Fringe benefits tax (FBT)                   | 177                            | 172                            |
| Training costs (excluding salaries)         | 322                            | 382                            |
| Other                                       | 535                            | 511                            |
| Less: capitalised costs                     | <u>(6,061)</u>                 | <u>(4,602)</u>                 |
| <b>Total employee costs expensed</b>        | <b><u>46,127</u></b>           | <b><u>43,945</u></b>           |

**Accounting policy for employee benefits & 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.

Defined Benefit Superannuation Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. 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. Further disclosures are in Contingencies and other liabilities/assets note recognised.

Defined Contribution 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.

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

| <b>(b) Borrowing costs</b>            | <b>2018<br/>(\$'000)</b> | <b>2017<br/>(\$'000)</b> |
|---------------------------------------|--------------------------|--------------------------|
| Interest on loans                     | 110                      | 139                      |
| <b>Total borrowing costs expensed</b> | <b>110</b>               | <b>139</b>               |

**Accounting policy for borrowing costs**

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

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

|  | <b>2018</b>     | <b>2017</b>     |
|--|-----------------|-----------------|
|  | <b>(\$'000)</b> | <b>(\$'000)</b> |
| <b>(c) Materials and Contracts</b>         |                 |                 |
| Raw materials and consumables              | 1,846           | 1,398           |
| Contractor Costs                           |                 |                 |
| - Roads and Footpaths Maintenance          | 1,754           | 1,921           |
| - Parks Maintenance                        | 1,747           | 1,602           |
| - Waste Disposal, Collection and Recycling | 13,506          | 11,476          |
| - Construction Recycling                   | 710             | 162             |
| - Building Cleaning & Maintenance          | 913             | 886             |
| - Temporary and Agency Staff               | 3,113           | 2,986           |
| - Repairs and Maintenance                  | 432             | 676             |
| - Electrical                               | 922             | 727             |
| - Events                                   | 451             | 343             |
| - Labour Hire                              | 263             | 348             |
| - Security                                 | 338             | 316             |
| - Project Design & Construction            | 13              | 330             |
| - Parking Meter                            | 140             | 290             |
| - Plant Hire External                      | 74              | 50              |
| Other Contractor Costs                     | 2,844           | 2,529           |
| Consultancy Costs                          |                 |                 |
| - Town Planning                            | 874             | 1,166           |
| - Ryde Civic Hub Design Competition        | -               | 516             |
| - Project Development Design               | 78              | 258             |
| - Property                                 | 37              | 109             |
| - Risk Management                          | 342             | 195             |
| Other Consultancy Costs                    | 1,010           | 1,011           |
| Remuneration of auditors                   | 96              | 75              |
| Legal Fees:                                |                 |                 |
| - Planning & Development                   | 163             | 14              |
| - Other                                    | 771             | 544             |
| Infringement Notice Contract (SEINS)       | 497             | 567             |
| Other                                      |                 |                 |
| - IT Licenses                              | 1,039           | 1,116           |
| Less: capitalised costs                    | (2,341)         | (2,007)         |
| <b>Total Materials &amp; Contracts</b>     | <b>31,632</b>   | <b>29,604</b>   |

|  | <b>2018</b>     | <b>2017</b>     |
|--|-----------------|-----------------|
|  | <b>(\$'000)</b> | <b>(\$'000)</b> |
| <b>Auditor's Remuneration</b>                                    |                 |                 |
| Auditors of the City of Ryde: NSW Auditor-General                |                 |                 |
| (i) Audit and other assurance services                           |                 |                 |
| Audit and review of financial statements                         | 96              | 75              |
| Other assurance services   | -               | -               |
| <b>Total remuneration for audit and other assurance services</b> | <b>96</b>       | <b>75</b>       |
| <b>Total Fees paid to or payable to the Auditor General</b>      | <b>96</b>       | <b>75</b>       |

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

|  | <b>2018</b>          | <b>2017</b>          |
|--|----------------------|----------------------|
| <b>(d) Depreciation, Amortisation and Impairment</b>   | <b>(\$'000)</b>      | <b>(\$'000)</b>      |
| <b>Depreciation and Amortisation</b>                   |                      |                      |
| Plant and equipment                                    | 2,230                | 2,249                |
| Office Equipment                                       | 710                  | 863                  |
| Furniture & fittings                                   | 76                   | 220                  |
| Land improvements (depreciable)                        | 517                  | 517                  |
| Buildings - specialised                                | 888                  | 650                  |
| - non-specialised                                      | 1,704                | 958                  |
| Infrastructure:  |                      |                      |
| - Roads, Bridges and Footpaths, Other Road Assets      | 7,000                | 6,381                |
| - Stormwater Drainage                                  | 1,821                | 1,689                |
| - Open space/recreational assets                       | 1,219                | 953                  |
| - Other Structures                                     | 161                  | 353                  |
| Other Assets:  |                      |                      |
| - Library Books  | 444                  | 378                  |
| Total Depreciation Costs                               | <u>16,770</u>        | <u>15,211</u>        |
| Less: Capitalised Costs                                | <u>(71)</u>          | <u>(90)</u>          |
| <b>Total Depreciation, Amortisation and Impairment</b> | <b><u>16,699</u></b> | <b><u>15,121</u></b> |

## NOTE 4 EXPENSES FROM CONTINUING OPERATIONS (CONTINUED)

### Accounting policy for depreciation, amortisation and impairment expenses

#### Depreciation and amortisation

Council has transitioned from a consumption-based depreciation methodology to a straight-line depreciation methodology in the current financial period. Consistent with Australian Accounting Standards, Council has treated the transition prospectively (i.e. only changed depreciation in the current year). The change in depreciation method resulted in an increase in depreciation expense for the current year of \$692k. Useful lives are included in Note 9 for IPPE assets.

#### Impairment of non-financial assets

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

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

#### Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

Council's assessment has indicated there is nothing requiring an impairment adjustment.

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

| <b>(e) Other Expenses</b>                              | <b>2018</b>          | <b>2017</b>          |
|--|----------------------|----------------------|
|  | <b>(\$'000)</b>      | <b>(\$'000)</b>      |
| Fair value adjustments on assets                       | -                    | 1,056                |
| Bad & doubtful debts                                   | 6                    | 1                    |
| Mayoral fee  | 68                   | 61                   |
| Councillors' fees                                      | 296                  | 255                  |
| Councillors' (incl. Mayor) expenses                    | 89                   | 45                   |
| Election costs (excl. employee costs)                  | 473                  | -                    |
| Insurance  | 1,265                | 1,135                |
| Street lighting  | 1,835                | 1,881                |
| Communications costs                                   | 265                  | 187                  |
| Contribution to fire control                           | 1,653                | 1,598                |
| Contribution to Dept of Planning                       | 280                  | 263                  |
| Contributions & donations - community grants           | 671                  | 978                  |
| Waste development tax                                  | 2,397                | 4,153                |
| Membership fees  | 165                  | 78                   |
| Valuation fees   | 168                  | 173                  |
| Electricity & heating                                  | 1,254                | 1,134                |
| Water rates  | 448                  | 388                  |
| Bank fees & charges                                    | 272                  | 224                  |
| Property lease costs                                   | 2,259                | 2,219                |
| Postage & courier costs                                | 418                  | 376                  |
| Advertising  | 454                  | 408                  |
| Other expenses   | 513                  | 272                  |
| Less: capitalised costs                                | (5)                  | (8)                  |
| <b>Total other expenses from continuing operations</b> | <b><u>15,244</u></b> | <b><u>16,877</u></b> |

**Accounting policy for Other Expenses**

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

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

|  | Notes | 2018<br>(\$'000)   | Restated<br>2017<br>(\$'000) |
|--|-------|--------------------|------------------------------|
| <b>Gain (or loss) on disposal of community land</b>                      | 9     |                    |                              |
| Proceeds from disposal   |       | 259 <sup>(1)</sup> | -                            |
| Less: Carrying amount of assets sold                                     |       | -                  | -                            |
| <b>Gain (or loss) on disposal</b>  |       | <u>259</u>         | <u>-</u>                     |
| <b>Gain (or loss) on disposal of plant &amp; equipment</b>               | 9     |                    |                              |
| Proceeds from disposal   |       | 1,374              | 1,325                        |
| Less: Carrying amount of assets sold                                     |       | (978)              | (793)                        |
| <b>Gain (or loss) on disposal</b>  |       | <u>396</u>         | <u>532</u>                   |
| <b>Gain (or loss) on disposal of office equipment</b>                    | 9     |                    |                              |
| Proceeds from disposal   |       | -                  | -                            |
| Less: Carrying amount of assets sold                                     |       | (15)               | -                            |
| <b>Gain (or loss) on disposal</b>  |       | <u>(15)</u>        | <u>-</u>                     |
| <b>Gain (or loss) on disposal of other structures - parks</b>            | 9     |                    |                              |
| Proceeds from disposal   |       | -                  | -                            |
| Less: Carrying amount of assets disposed                                 |       | -                  | (1,388)                      |
| <b>Gain (or loss) on disposal</b>  |       | <u>-</u>           | <u>(1,388)</u>               |
| <b>Gain (or loss) on disposal of RBF -roads, bridges &amp; footpaths</b> | 9     |                    |                              |
| Proceeds from disposal   |       | -                  | -                            |
| Less: Carrying amount of assets disposed                                 |       | (14,848)           | (6,603)                      |
| <b>Gain (or loss) on disposal</b>  |       | <u>(14,848)</u>    | <u>(6,603)</u>               |
| <b>Gain (or loss) on disposal of works in progress</b>                   | 9     |                    |                              |
| Proceeds from disposal   |       | -                  | -                            |
| Less: Carrying value of Works in Progress                                |       | (99)               | (217)                        |
| <b>Gain (or loss) on disposal</b>  |       | <u>(99)</u>        | <u>(217)</u>                 |
| <b>Gain (or loss) on disposal of financial assets</b>                    | 6     |                    |                              |
| Proceeds from disposal <sup>(2)</sup>                                    |       | 10,056             | 8,053                        |
| Less: Carrying value of financial assets <sup>(3)</sup>                  |       | (9,980)            | (8,000)                      |
| <b>Gain (or loss) on disposal</b>  |       | <u>76</u>          | <u>53</u>                    |
| <b>NET GAIN (OR LOSS) ON DISPOSAL OF ASSETS</b>                          |       | <u>(14,231)</u>    | <u>(7,623)</u>               |

(1) This includes the sale of land under roads, which is Community Land.

(2) This does not include investments that are rolled over, in full, with the same authorised deposit-taking institution.

Gross amount including rolled over investments:

Proceeds from disposal (Statement of cashflows)

Less: Carrying value of financial assets

**Gain (or loss) on disposal**

**Notes**

CF 71,694

6 (71,618)

76

57,301

(57,248)

53

(3) This includes the settlement from legal action.

**Accounting policy for disposal of assets**

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

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

| Notes                           | 2018<br>(\$'000) | 2017<br>(\$'000) |
|---------------------------------|------------------|------------------|
| Cash at bank and on hand        | 809              | 450              |
| Deposits at call <sup>(1)</sup> | 6,730            | 6,373            |
|                                 | <b>7,539</b>     | <b>6,823</b>     |

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

**Accounting policy for cash and cash equivalents**

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

**NOTE 6(b) INVESTMENTS**

The following financial assets are held as investments:

|                                     | 2018                       |                                | 2017                       |                                |
|-------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                                     | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) |
| Held to Maturity Investments        | 94,712                     | 108,499                        | 89,250                     | 90,379                         |
| <b>Total</b>                        | <b>94,712</b>              | <b>108,499</b>                 | <b>89,250</b>              | <b>90,379</b>                  |
| <b>Held to Maturity Investments</b> |                            |                                |                            |                                |
| <b>Comprising of:</b>               |                            |                                |                            |                                |
| - FRNs                              | 8,600                      | 42,337                         | 7,000                      | 41,414                         |
| - Fixed Bonds                       | -                          | 24,162                         | -                          | 10,965                         |
| - Term Deposits <sup>(2)</sup>      | 86,112                     | 42,000                         | 82,250                     | 38,000                         |
| <b>TOTAL</b>                        | <b>94,712</b>              | <b>108,499</b>                 | <b>89,250</b>              | <b>90,379</b>                  |

<sup>(2)</sup> Does not include term deposits with a term of less than 3 months

## NOTE 6(b) INVESTMENTS (CONTINUED)

### Investments and other financial assets

#### Classification

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

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

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

#### (ii) Held-to-maturity investments

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

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

#### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

## NOTE 6(b) INVESTMENTS (CONTINUED)

### Investments and other financial assets (continued)

#### Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

#### Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

#### Impairment of available-for-sale investments

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

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

|   | 2018           |                    | 2017           |                    |
|---|----------------|--------------------|----------------|--------------------|
|   | <u>Current</u> | <u>Non-Current</u> | <u>Current</u> | <u>Non-Current</u> |
|   | (\$'000)       | (\$'000)           | (\$'000)       | (\$'000)           |
| <b>Total cash, cash equivalents and investments</b> | <b>102,251</b> | <b>108,499</b>     | <b>96,073</b>  | <b>90,379</b>      |
| External restrictions (refer below)                 | 44,173         | 67,930             | 37,779         | 62,735             |
| Internal restrictions (refer below)                 | 54,575         | 40,569             | 55,752         | 27,644             |
| Unrestricted  | 3,503          | -                  | 2,542          | -                  |
| <b>Total</b>  | <b>102,251</b> | <b>108,499</b>     | <b>96,073</b>  | <b>90,379</b>      |

**DETAILS OF RESTRICTIONS**

|   | <u>Opening Balance</u><br>30 June 2017 | <u>Transfers To</u><br>Restriction | <u>Transfers From</u><br>Restriction | <u>Closing Balance</u><br>30 June 2018 |
|---|--|------------------------------------|--------------------------------------|--|
|   | \$'000                                 | \$'000                             | \$'000                               | \$'000                                 |
| <b><u>External restrictions</u></b>                       |  |                                    |                                      |  |
| Developer contributions (A)                               | 76,402                                 | 26,675                             | (16,430)                             | 86,647                                 |
| Specific purpose unexpended grants (B)                    | 11,203                                 | 451                                | (2,614)                              | 9,040                                  |
| Domestic waste management                                 | 9,328                                  | 20,215                             | (17,460)                             | 12,083                                 |
| Stormwater management                                     | 1,174                                  | 1,047                              | (996)                                | 1,225                                  |
| Affordable housing contribution                           | 139                                    | -                                  | -                                    | 139                                    |
| Local Infrastructure Renewal Scheme (LIRS)                | 271                                    | -                                  | (271)                                | -                                      |
| Macquarie Park special rate                               | 1,307                                  | 1,389                              | (701)                                | 1,995                                  |
| Infrastructure special rate reserve                       | 690                                    | 8,690                              | (8,406)                              | 974                                    |
| <b>Total external restrictions</b>                        | <b>100,514</b>                         | <b>58,467</b>                      | <b>(46,878)</b>                      | <b>112,103</b>                         |
| Total restricted grants and contributions<br>(A + B only) | 87,605                                 | 27,126                             | (19,044)                             | 95,687                                 |

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

|   | Opening<br>Balance<br>30 June 2017<br>\$'000 | Transfers<br>To<br>Restriction<br>\$'000 | Transfers<br>From<br>Restriction<br>\$'000 | Closing<br>Balance<br>30 June 2018<br>\$'000 |
|---|--|--|--|--|
| <b><u>Internal restrictions</u></b>         |  |  |  |  |
| Plant replacement reserve                   | 3,417  | 2,233                                    | (2,350)                                    | 3,300  |
| Employee leave entitlements                 | 3,822  | 2,443                                    | (1,513)                                    | 4,752  |
| Incomplete/carry over works and projects    | 169  | 50                                       | (169)                                      | 50   |
| Refundable deposits                         | 12,839                                       | 2,695                                    | -  | 15,534                                       |
| Asset replacement reserve                   | 18,940                                       | 7,046                                    | (6,829)                                    | 19,157                                       |
| Ryde Aquatic Leisure Centre                 | 1,207  | 4,237                                    | (4,148)                                    | 1,296  |
| Investment property reserve                 | 20,033                                       | 2,107                                    | (575)                                      | 21,565                                       |
| Accommodation reserve                       | 13,477                                       | -  | (2,293)                                    | 11,184                                       |
| Merger & transition reserve                 | 4,156  | -  | (3,857)                                    | 299  |
| Civic Centre precinct redevelopment reserve | 898  | 12,192                                   | (325)                                      | 12,765                                       |
| Council Election Reserve                    | 660  | 150                                      | (693)                                      | 117  |
| Insurance fluctuation reserve               | 809  | -  | (159)                                      | 650  |
| Risk rebate reserve                         | 111  | -  | (111)                                      | -  |
| Workers Compensation                        | -  | 500                                      | -  | 500  |
| Other                                       | 2,858  | 3,199                                    | (2,082)                                    | 3,975  |
| <b>Total internal restrictions</b>          | <b>83,396</b>                                | <b>36,852</b>                            | <b>(25,104)</b>                            | <b>95,144</b>                                |
| <b>Total restrictions</b>                   | <b>183,910</b>                               | <b>95,319</b>                            | <b>(71,982)</b>                            | <b>207,247</b>                               |

**NOTE 7 RECEIVABLES**

| <u>Purpose</u>   | 2018                       |                                | 2017                       |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) |
| Rates and annual charges   | 3,010                      | 52                             | 2,603                      | 45                             |
| Rates interest & extra charges                                     | 311                        | 5                              | 264                        | 5                              |
| User charges & fees  |                            |                                |                            |                                |
| Environmental & health   | 704                        | -                              | 558                        | -                              |
| Restorations   | 155                        | -                              | 190                        | -                              |
| Recreational facilities  | 199                        | -                              | 258                        | -                              |
| Property & infrastructure works                                    | 299                        | -                              | 108                        | -                              |
| Advertising  | 122                        | -                              | -                          | -                              |
| Home modification service  | 22                         | -                              | 22                         | -                              |
| Ryde Aquatic Leisure Centre  | 94                         | -                              | 30                         | -                              |
| Interest on investments  | 1,936                      | -                              | 1,741                      | -                              |
| Contributions to works   | 6                          | -                              | 11                         | -                              |
| Government grants & subsidies                                      | 2,447                      | -                              | 2,094                      | -                              |
| Commercial waste   | 569                        | -                              | 568                        | -                              |
| GST  | 1,857                      | -                              | 1,929                      | -                              |
| Asset sales  | 138                        | -                              | 203                        | -                              |
| Workers compensation   | 19                         | -                              | 19                         | -                              |
| Fines  | 391                        | -                              | 314                        | -                              |
| Other  | 402                        | 22                             | 665                        | 22                             |
| <b>Total <sup>(1)</sup></b>  | <b>12,681</b>              | <b>79</b>                      | <b>11,577</b>              | <b>72</b>                      |
| Less: <u>provision for impairment</u>                              |                            |                                |                            |                                |
| - User charges and fees  | 453                        | -                              | 452                        | -                              |
|  | <b>12,228</b>              | <b>79</b>                      | <b>11,125</b>              | <b>72</b>                      |
| <b><u>Restricted/unrestricted receivables (included above)</u></b> |                            |                                |                            |                                |
| Unrestricted receivables   | 12,228                     | 79                             | 11,125                     | 72                             |
| <b>Total Receivables</b>   | <b>12,228</b>              | <b>79</b>                      | <b>11,125</b>              | <b>72</b>                      |

<sup>(1)</sup> Total refers to Note 17

**Notes on the above Debtors:**

Rates and annual charges are secured by underlying properties.

User fees and charges are unsecured. A provision for impairment (doubtful debts) has already been provided.

## NOTE 7 RECEIVABLES (CONTINUED)

### Accounting Policy for receivables

#### Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position.

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

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

#### Impairment

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

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

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

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

**NOTE 8 INVENTORIES AND OTHER ASSETS**

|  | 2018                       |                                | 2017                       |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) | <u>Current</u><br>(\$'000) | <u>Non-Current</u><br>(\$'000) |
| <b>(a) Inventories</b>   |                            |                                |                            |                                |
| Stores and materials   | 828                        | -                              | 894                        | -                              |
| <b>Total inventories</b>   | <b>828</b>                 | <b>-</b>                       | <b>894</b>                 | <b>-</b>                       |
| <b>(b) Inventories not expected to be realised within the next 12 months<sup>(1)</sup></b> | <b>539</b>                 | <b>-</b>                       | <b>379</b>                 | <b>-</b>                       |
| <b>(c) Other Assets</b>  |                            |                                |                            |                                |
| Prepayments  | 949                        | -                              | 1,370                      | -                              |
| Prepayments - salaries and wages   | 789                        | -                              | 800                        | -                              |
| Prepayments - waste alliance   | 740                        | -                              | 625                        | -                              |
| <b>Total other assets</b>  | <b>2,478</b>               | <b>-</b>                       | <b>2,795</b>               | <b>-</b>                       |

**EXTERNALLY RESTRICTED INVENTORIES AND OTHER ASSETS**

NIL

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

**Accounting policy for inventories and other assets**

**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**Inventory held for distribution**

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

NOTE 9 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

| \$000's                                | MOVEMENTS DURING THE YEAR |                                       |                     |               |               |                    |                             |                           |                                       |                                       | At 30 June 2018       |                                       |
|--|---------------------------|---------------------------------------|---------------------|---------------|---------------|--------------------|-----------------------------|---------------------------|---------------------------------------|---------------------------------------|-----------------------|---------------------------------------|
|  | At 30 June 2017           |                                       |                     |               |               |                    |                             |                           |                                       |                                       | At 30 June 2018       |                                       |
|  | Gross Carrying Amount     | Accumulated Depreciation & Impairment | Net Carrying Amount | Renewals      | New Assets    | Transfers From WIP | Carrying Value of Disposals | Depreciation & Impairment | Asset Revaluation<br>Gross Book Value | Accumulated Depreciation & Impairment | Gross Carrying Amount | Accumulated Depreciation & Impairment |
| Plant and Equipment                    | 27,430                    | 16,879                                | 10,551              | 76            | 3,428         | 18                 | (978)                       | (2,230)                   | -                                     | 28,312                                | 17,447                | 10,865                                |
| Office Equipment                       | 9,168                     | 7,725                                 | 1,443               | 603           | 173           | 450                | (15)                        | (710)                     | -                                     | 10,314                                | 7,791                 | 2,523                                 |
| Furniture and Fittings                 | 4,459                     | 3,811                                 | 648                 | 27            | 153           | 102                | -                           | (76)                      | -                                     | 4,741                                 | 3,882                 | 859                                   |
| Leased Plant & Equipment               | 163                       | 163                                   | -                   | -             | -             | -                  | -                           | -                         | -                                     | 163                                   | 163                   | -                                     |
| Land                                   |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Operational Land                     | 220,018                   | -                                     | 220,018             | -             | -             | -                  | -                           | -                         | -                                     | 220,018                               | -                     | 220,018                               |
| - Community Land                       | 142,287                   | -                                     | 142,287             | -             | -             | -                  | -                           | -                         | -                                     | 142,287                               | -                     | 142,287                               |
| - Land Improvements (non-depr'n)       | 9,073                     | -                                     | 9,073               | 53            | 142           | 26                 | -                           | -                         | -                                     | 9,294                                 | -                     | 9,294                                 |
| - Land Improvements (depr'n)           | 14,521                    | 13,431                                | 1,090               | 157           | 104           | 359                | -                           | (517)                     | -                                     | 15,141                                | 13,948                | 1,193                                 |
| - Land Under Roads                     | 1,155                     | -                                     | 1,155               | -             | -             | -                  | -                           | -                         | -                                     | 1,155                                 | -                     | 1,155                                 |
| Buildings                              |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Non-specialised                      | 125,934                   | 71,893                                | 54,041              | 290           | 143           | 5,822              | -                           | (1,704)                   | (6,255)                               | 125,934                               | 73,597                | 52,337                                |
| Other Structures                       |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Carparks                             | 11,590                    | 1,479                                 | 10,111              | 420           | -             | -                  | -                           | (97)                      | (196)                                 | 11,814                                | 1,583                 | 10,231                                |
| - Foreshore Assets                     | 5,333                     | 1,102                                 | 4,231               | -             | -             | 411                | -                           | (62)                      | (410)                                 | 5,333                                 | 1,174                 | 4,159                                 |
| - Road Ancillary                       | 11,516                    | 3,473                                 | 8,043               | 319           | 1,232         | 1,824              | -                           | (272)                     | (2,915)                               | 11,976                                | 3,678                 | 8,298                                 |
| - Other                                | 253                       | 2                                     | 251                 | -             | -             | 7                  | -                           | (2)                       | -                                     | 260                                   | 4                     | 256                                   |
| Infrastructure                         |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Roads, Bridges and Footpaths         |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Road Pavement                        | 301,237                   | 78,856                                | 222,381             | 8,236         | -             | 998                | (4,956)                     | (5,312)                   | -                                     | 301,237                               | 79,890                | 221,347                               |
| - Road Ancillaries                     | 7,072                     | 3,707                                 | 3,365               | 180           | 311           | 303                | (724)                       | (141)                     | -                                     | 7,157                                 | 3,863                 | 3,294                                 |
| - Bridges                              | 4,129                     | 1,679                                 | 2,450               | 134           | -             | 69                 | (203)                       | (45)                      | -                                     | 4,129                                 | 1,724                 | 2,405                                 |
| - Footpaths and Cycleways              | 62,009                    | 10,510                                | 51,499              | 1,981         | 806           | 4,442              | (6,705)                     | (545)                     | -                                     | 62,479                                | 11,001                | 51,478                                |
| - Kerb & Guttering                     | 102,792                   | 13,973                                | 88,819              | 1,775         | -             | 576                | (2,260)                     | (685)                     | -                                     | 102,816                               | 14,591                | 88,225                                |
| - Stormwater Drainage                  | 266,535                   | 63,707                                | 202,828             | 2,763         | 1             | 1,910              | -                           | (1,821)                   | (4,459)                               | 266,750                               | 65,888                | 200,862                               |
| - Aquatic Leisure Centre               | 53,168                    | 13,292                                | 39,876              | 135           | -             | 117                | -                           | (888)                     | (252)                                 | 53,168                                | 14,180                | 38,988                                |
| - Other Open Space/Recreational assets | 65,293                    | 10,857                                | 54,436              | 665           | 346           | 2,224              | -                           | (1,219)                   | 814                                   | 69,342                                | 11,315                | 58,027                                |
| Other Assets                           |                           |                                       |                     |               |               |                    |                             |                           |                                       |                                       |                       |                                       |
| - Heritage Collections                 | 229                       | -                                     | 229                 | -             | -             | -                  | -                           | -                         | -                                     | 229                                   | -                     | 229                                   |
| - Library Books                        | 3,252                     | 2,067                                 | 1,185               | 480           | -             | -                  | -                           | (444)                     | -                                     | 3,285                                 | 2,064                 | 1,221                                 |
| Capital Works in Progress              | 22,894                    | -                                     | 22,894              | 7,221         | 10,106        | (19,658)           | (99)                        | -                         | -                                     | 20,464                                | -                     | 20,464                                |
| <b>TOTALS</b>                          | <b>1,471,510</b>          | <b>318,606</b>                        | <b>1,152,904</b>    | <b>25,515</b> | <b>16,945</b> | <b>-</b>           | <b>(15,940)</b>             | <b>(16,770)</b>           | <b>(13,873)</b>                       | <b>1,477,798</b>                      | <b>327,783</b>        | <b>1,150,015</b>                      |

**NOTE 9 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

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

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

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

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

| Asset Category                             | Useful Life<br>(years) | Depreciation Rate |
|--|------------------------|-------------------|
| Drainage assets                            | 40 - 200               | 0.50% - 2.50%     |
| Land Improvements                          | 25 - 25                | 4.00% - 4.00%     |
| Other assets                               | 20 - 50                | 2.00% - 8.33%     |
| Other structures                           | 20 - 150               | 0.67% - 5.00%     |
| Road assets – roads, bridges and footpaths | 15 - 200               | 0.50% - 6.67%     |
| Plant & Equipment                          | 5 - 50                 | 2.00% - 20.00%    |
| Buildings - Specialised/Non Specialised    | 5 - 99                 | 0.50% - 1.50%     |

Operational land was last valued as at 31 May 2017 and Community Land has been valued using the Valuer General rates with a base date of 1/7/2016.

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

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

## NOTE 9 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### Accounting policy for infrastructure, property, plant and equipment (con't)

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

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

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

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 AASB1051 Land Under Roads.

### Crown reserves

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

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

### Rural Fire Service assets

Under Section 119 of the Rural Fire Services Act 1997 (NSW), 'all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed'.

Councils has no control of any Rural Fire Services assets.

**NOTE 10 INVESTMENT PROPERTIES**

|  | <b>2018</b><br><b>(\$'000)</b> | <b>2017</b><br><b>(\$'000)</b> |
|--|--------------------------------|--------------------------------|
| <b>At fair value</b>   |                                |                                |
| Opening balance at July 1 2017   | 115,540                        | 113,165                        |
| Net gain (loss) from fair value adjustment                               | <u>1,625</u>                   | <u>2,375</u>                   |
| <b>Closing balance at 30 June 2018</b>                                   | <b><u>117,165</u></b>          | <b><u>115,540</u></b>          |
| <br>   |                                |                                |
| <b>(a) Amounts recognised in profit and loss for investment property</b> |                                |                                |
| Rental income  | 700                            | 568                            |
| Net gain (loss) from fair value adjustment                               | 1,625                          | 2,375                          |
| Direct operating expenses from property that generated rental income     | <u>(399)</u>                   | <u>(282)</u>                   |
| <b>Total</b>   | <b><u>1,926</u></b>            | <b><u>2,661</u></b>            |

**(b) Leasing arrangements - Council as lessor**

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

Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:

|  |                     |                     |
|--|---------------------|---------------------|
| - Not later than one year                        | 312                 | 421                 |
| - Later than one year and not later than 5 years | 951                 | 951                 |
| - Later than 5 years                             | <u>308</u>          | <u>195</u>          |
| <b>Total</b>                                     | <b><u>1,571</u></b> | <b><u>1,567</u></b> |

**Accounting policy for Investment property**

Investment property, principally comprising freehold buildings, car parks and blocks of units, are held for development to generate long-term rental yields and are not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

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

**NOTE 11 PAYABLES AND BORROWINGS**

|  | 2018                |                         | 2017                |                         |
|--|---------------------|-------------------------|---------------------|-------------------------|
|  | Current<br>(\$'000) | Non-Current<br>(\$'000) | Current<br>(\$'000) | Non-Current<br>(\$'000) |
| <b>Payables</b>  |                     |                         |                     |                         |
| Goods and services   | 9,067               | -                       | 7,569               | -                       |
| Accrued expenses   | 2,661               | -                       | 2,636               | -                       |
| Interest expenses  | 19                  | -                       | 22                  | -                       |
| Deposits and retentions  | 15,533              | -                       | 12,840              | -                       |
| Deferred lease expense   | 220                 | -                       | 155                 | -                       |
| Other  | 26                  | -                       | 15                  | -                       |
| <b>Total payables</b>  | <b>27,526</b>       | <b>-</b>                | <b>23,237</b>       | <b>-</b>                |
| <b>Income received in advance</b>  |                     |                         |                     |                         |
| Payments received in advance   | 788                 | -                       | 922                 | -                       |
| Payments received in advance - rates   | 712                 | -                       | 555                 | -                       |
|  | <b>1,500</b>        | <b>-</b>                | <b>1,477</b>        | <b>-</b>                |
| <b>Borrowings</b>  |                     |                         |                     |                         |
| Loans - secured <sup>(1)</sup>   | 911                 | 1,710                   | 891                 | 2,620                   |
| <b>Total borrowings</b>  | <b>911</b>          | <b>1,710</b>            | <b>891</b>          | <b>2,620</b>            |
| <b>(a) Restricted and Unrestricted liabilities</b>                               |                     |                         |                     |                         |
| Liabilities relating to unrestricted assets                                      | 29,937              | 1,710                   | 25,605              | 2,620                   |
| <b>Total</b>   | <b>29,937</b>       | <b>1,710</b>            | <b>25,605</b>       | <b>2,620</b>            |
| <b>(b) Current payables not expected to be settled within the next 12 months</b> |                     |                         |                     |                         |
|  | 12,426              | -                       | 10,272              | -                       |

**(c) Changes in liabilities arising from financial activities**

| Total Liabilities from financing activities | 2017<br>(\$'000) | Cash Flows<br>(\$'000) | Non Cash Changes        |                                |                                       | 2018<br>(\$'000) |
|---|------------------|------------------------|-------------------------|--------------------------------|---------------------------------------|------------------|
|   |                  |                        | Acquisition<br>(\$'000) | Fair Value Changes<br>(\$'000) | Other Non-Cash Investment<br>(\$'000) |                  |
| LOANS -secured                              |                  |                        |                         |                                |                                       |                  |
| Financial Institutions                      | 3,511            | (890)                  |                         |                                |                                       | 2,621            |
| <b>Total</b>                                | <b>3,511</b>     | <b>(890)</b>           |                         |                                |                                       | <b>2,621</b>     |

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

**NOTE 11 PAYABLES AND BORROWINGS (CONTINUED)**

|  | 2018<br>(\$'000) | 2017<br>(\$'000) |
|--|------------------|------------------|
| <b>(d) Financing Arrangements</b>  |                  |                  |
| <b>Total facilities</b>  |                  |                  |
| The amount of total financing facilities available to councils at the reporting date is:   |                  |                  |
| Corporate credit cards   | 60               | 60               |
|  | <u>60</u>        | <u>60</u>        |
| <b>Drawn Facilities</b>  |                  |                  |
| The financing facilities drawn down at the reporting date is:                              |                  |                  |
| Corporate credit cards   | 11               | 8                |
|  | <u>11</u>        | <u>8</u>         |
| <b>Undrawn Facilities</b>  |                  |                  |
| The amount of undrawn financing facilities available to councils at the reporting date is: |                  |                  |
| Corporate credit cards   | 49               | 52               |
|  | <u>49</u>        | <u>52</u>        |

**Accounting policy for payables and borrowings**

**Payables**

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 14 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 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.

**Finance Leases**

Council has no current finance leases.

**NOTE 12 PROVISIONS**

|  | 2018                |                         | 2017                |                         |
|--|---------------------|-------------------------|---------------------|-------------------------|
|  | Current<br>(\$'000) | Non-Current<br>(\$'000) | Current<br>(\$'000) | Non-Current<br>(\$'000) |
| Annual & other accrued leave   | 3,870               | -                       | 3,505               | -                       |
| Sick leave   | 193                 | -                       | 192                 | -                       |
| Long service leave   | 8,608               | 163                     | 8,297               | 170                     |
| Other employee provisions  | 598                 | -                       | 522                 | -                       |
| <b>Total provisions</b>  | <b>13,269</b>       | <b>163</b>              | <b>12,516</b>       | <b>170</b>              |
| <b>Current provisions not expected to be settled within the next 12 months</b> | <b>6,905</b>        | <b>-</b>                | <b>6,682</b>        | <b>-</b>                |

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

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

| Class of Provision           | Opening Balance<br>(\$'000) | Increase in Provision<br>(\$'000) | Payments<br>(\$'000) | Re-Measurement<br>(\$'000) | Closing Balance<br>(\$'000) |
|------------------------------|-----------------------------|-----------------------------------|----------------------|----------------------------|-----------------------------|
| Annual & Other Accrued Leave | 3,505                       | 3,244                             | 2,879                | -                          | 3,870                       |
| Sick Leave                   | 192                         | 1,396                             | 1,395                | -                          | 193                         |
| Long service leave           | 8,467                       | 1,440                             | 1,136                | -                          | 8,771                       |
| Other employee provisions    | 522                         | 1,857                             | 1,781                | -                          | 598                         |
| <b>Total</b>                 | <b>12,686</b>               | <b>7,937</b>                      | <b>7,191</b>         | <b>-</b>                   | <b>13,432</b>               |

**NOTE 12 PROVISIONS (CONTINUED)****Accounting policy for provisions****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 settled within 12 months after the end of the period in which the employees render the related services are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**Other Long term employee benefit obligations**

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

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

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

**Self-insurance**

Council does not self-insure.

**NOTE 13 ACCUMULATED SURPLUS, REVALUATION RESERVES, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS**

**(a) Nature and purpose of reserves**

*(i) Revaluation reserve*

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements in the revaluation of non-current assets.

*(ii) Available-for-sale investments revaluation reserve*

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

**(b) Correction of errors in previous years**

A review of the Revaluation Reserve register identified a positive revaluation reserve of \$59,749k for the Roads, Bridges and Footpaths Infrastructure asset class which is a result of downward revaluation in the past without sufficient reserves relating to that asset class.

The error identified in the above has been corrected by restating the balances in the year in which it occurred if it occurred before 1 July 2016 by adjusting the opening accumulated surplus at 1 July 2016. The impact on the financial statement line items are shown below.

**Changes in the opening Statement of Financial Position at 1 July 2016**

|  | Original balance as at 1 July 2016 (\$'000) | Increase/ (decrease) (\$'000) | Restated balance at 1 July 2016 (\$'000) |
|--|---|-------------------------------|--|
| <b>Statement of Financial Position</b> |   |                               |  |
| Accumulated Surplus                    | 1,196,428                                   | (53,146)                      | 1,143,282                                |
| Revaluation Reserve                    | 125,785                                     | 53,146                        | 178,931                                  |

**Adjustments to the comparative figures for the year ended 30 June 2017**

|  | Original balance (\$'000) | Increase/ (decrease) (\$'000) | Restated balance (\$'000) |
|--|---------------------------|-------------------------------|---------------------------|
| <b>Statement of Financial Position</b> |                           |                               |                           |
| Accumulated Surplus                    | 1,236,008                 | (59,749)                      | 1,176,259                 |
| Revaluation Reserve                    | 192,863                   | 59,749                        | 252,612                   |

**NOTE 13 ACCUMULATED SURPLUS, REVALUATION RESERVES, CHANGES IN ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (CONTINUED)**

**Changes to the Income Statement for the year ending 30 June 2017**

|   | Original balance<br>(\$'000) | Increase/ (decrease)<br>(\$'000) | Restated balance<br>(\$'000) |
|---|------------------------------|----------------------------------|------------------------------|
| <b>Income Statement</b>   |                              |                                  |                              |
| <b>Total Income from Continuing Operations</b>  | <b>146,286</b>               | -                                | <b>146,286</b>               |
| Expenses as per Note 4  | (43,945)                     | -                                | (43,945)                     |
| Net loss from the disposal of assets  | (1,020)                      | (6,603)                          | (7,623)                      |
| <b>Total Expenses from Continuing Operations</b>  | <b>(44,965)</b>              | <b>(6,603)</b>                   | <b>(51,568)</b>              |
| <b>Net Operating Result for the Year</b>  | <b>101,321</b>               | <b>(6,603)</b>                   | <b>94,718</b>                |
| Net operating result for the year before grants and contributions for capital purposes. | 13,860                       | (6,603)                          | 7,257                        |

**(c) Changes in Accounting Estimates**

Council has transitioned from a consumption-based depreciation methodology to a straight-line depreciation methodology in 2017/2018. Consistent with Australian Accounting Standards, Council has treated the transition prospectively (i.e. only changed depreciation in the current year). The change in depreciation method resulted in an increase in depreciation expense for the year of \$692k.

**NOTE 14 STATEMENT OF CASH FLOW INFORMATION**

| <b>(a) Reconciliation of Cash Assets</b>   | <b>Notes</b> | <b>2018<br/>(\$'000)</b> | <b>2017<br/>(\$'000)</b> |
|--|--------------|--------------------------|--------------------------|
| Total cash and cash equivalents  | 6(a)         | 7,539                    | 6,823                    |
| <u>Less:</u> bank overdraft  | 11           | <u>-</u>                 | <u>-</u>                 |
| Balances as per statement of cash flow   |              | <u><u>7,539</u></u>      | <u><u>6,823</u></u>      |
| <br>   |              |                          |                          |
| <b>(b) Reconciliation of net operating result to cash<br/>provided from operating activities</b> |              | <b>2018<br/>(\$'000)</b> | <b>2017<br/>(\$'000)</b> |
| Net operating result from income statement   |              | 32,232                   | 39,580                   |
| Add:   |              |                          |                          |
| Depreciation and impairment  | 3            | 16,699                   | 15,121                   |
| Loss/(gain) on sale of assets  | 5            | 14,231                   | 1,020                    |
| Amortisation of discounts & premiums recognised  | 3,4          | (23)                     | (22)                     |
| Fair value (gains)/losses to investment property   | 10           | (1,625)                  | (1,319)                  |
| Increase/(decrease) in provision for doubtful debts  | 7            | 1                        | 46                       |
| Increase/(decrease) in provision for leave entitlements  | 11           | 746                      | 602                      |
| (Increase)/decrease in receivables   | 7            | (1,111)                  | (1,472)                  |
| (Increase)/decrease in inventories   | 8            | 66                       | (248)                    |
| (Increase)/decrease in other current assets  | 8            | 317                      | 225                      |
| Increase/(decrease) in payables  | 11           | 1,249                    | (136)                    |
| Increase/(decrease) in accrued interest payable  | 11           | (3)                      | (5)                      |
| Increase/(decrease) in other current liabilities   | 11           | 2,926                    | 31                       |
| Non cash capital grants & contributions  | 3            | -                        | (300)                    |
| <b>Net cash provided by (used in) operating activities</b>                                       |              | <u><u>65,705</u></u>     | <u><u>53,123</u></u>     |
| <br>   |              |                          |                          |
| <b>(c) Non-Cash Financing and Investing Activities</b>   |              |                          |                          |
| s7.11 contributions in kind  |              | -                        | 300                      |
|  |              | <u>-</u>                 | <u>300</u>               |

**NOTE 15 COMMITMENTS**

|   | <b>2018</b><br><b>(\$'000)</b> | <b>2017</b><br><b>(\$'000)</b> |
|---|--------------------------------|--------------------------------|
| <b>(a) Capital commitments (exclusive of GST)</b>   |                                |                                |
| Capital expenditure contracted for at the reporting date but not recognised in the financial statements as liabilities: |                                |                                |
| Plant & Equipment   | 115                            | 450                            |
| Office Equipment  | 182                            | -                              |
| Land  | 99                             | 2,250                          |
| Buildings   | 434                            | -                              |
| Other Structures  | 565                            | 22                             |
| Infrastructure  | 3,041                          | 1,692                          |
| <b>Total</b>  | <b>4,437</b>                   | <b>4,414</b>                   |

*Major commitments include the design and construction of a new recreational space, and the construction of a cycleway.*

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

Commitments under non-cancellable operating leases at 30 June 2018 but not recognised in the financial statements are payable as follows:

|  |              |              |
|--|--------------|--------------|
| - Not later than one year                        | 2,170        | 2,192        |
| - Later than one year and not later than 5 years | 3,830        | 6,211        |
| - Later than 5 years                             | -            | -            |
| <b>Total<sup>(1)</sup></b>                       | <b>5,999</b> | <b>8,403</b> |

<sup>(1)</sup> This represents the leased premises at the North Ryde office which comprise of:  
 1 x 5 year lease commencing 1 May 2016, with 3 options of 5 years,  
 1 x 4 years and 9 months lease commencing 1 August 2016, with 3 options of 5 years.

## NOTE 16 CONTINGENCIES AND OTHER LIABILITIES/ASSETS NOT RECOGNISED

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

### CONTINGENT LIABILITIES

#### 1 Guarantees

##### (i) Defined Benefits Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefits Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees. Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due. The Scheme's most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Scheme's Defined Benefit member category with member councils required to make significantly higher contributions in future years. The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB119. Future contributions made to the defined benefits scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

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

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses. However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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

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

**NOTE 16 CONTINGENCIES AND OTHER LIABILITIES/ASSETS NOT RECOGNISED (CONTINUED)**

The plan is a defined benefit plan. However, 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 not sufficient 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.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$92,092.

Council's expected contributions to the Fund for the next annual reporting period is \$85,000.

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

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

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

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

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

\* Plus promotional increases

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

Council's additional lump sum contribution is around 0.23% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

## NOTE 16 CONTINGENCIES AND OTHER LIABILITIES/ASSETS NOT RECOGNISED (CONTINUED)

### (ii) Statewide Limited

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

### (iii) StateCover Limited

During the year, Council moved its workers compensation insurance with StateCover to their Loss Prevention and Recovery (LPR) model which aligns the premiums to the Council's experience and success in implementing injury prevention, management and return to work strategies. Council has a contingent liability where caps on claims may be greater and premium adjustments are based on claim costs.

### (iv) Other Guarantees

Council has provided no other guarantees other than those listed above.

## 2 Other liabilities

### (i) Third Party Claims

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

### (ii) s7.11 Plans (formerly s94)

Council levies s7.11 plans (formerly section 94/94A contributions) upon various developments across the Council area through the required Contributions Plans.

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

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

## NOTE 16 CONTINGENCIES AND OTHER LIABILITIES/ASSETS NOT RECOGNISED (CONTINUED)

### 3 Remediation works

#### (i) Old landfill sites

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

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

### CONTINGENT ASSETS

#### (i) Land under roads

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

#### (ii) Infringement Notices/Fines

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

#### (iii) Pedestrian Bridge and Tunnel, Top Ryde

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

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

## NOTE 17 FINANCIAL RISK MANAGEMENT

### Risk Management

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

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

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

Council held the following financial instruments at balance date:

|                              | Carrying Value |                | Fair Value     |                      |
|------------------------------|----------------|----------------|----------------|----------------------|
|                              | 2018<br>\$'000 | 2017<br>\$'000 | 2018<br>\$'000 | 2017<br>\$'000       |
| <b>Financial assets</b>      |                |                |                |                      |
| Cash and cash equivalents    | 7,539          | 6,823          | 7,539          | 6,823                |
| Receivables                  | 10,450         | 9,268          | 10,450         | 9,268                |
| Held-to-maturity investments | 203,211        | 179,629        | 203,527        | 180,009              |
|                              | <b>221,200</b> | <b>195,720</b> | <b>221,516</b> | <b>196,100</b>       |
| <b>Financial liabilities</b> |                |                |                |                      |
| Payables                     | 27,526         | 23,237         | 27,526         | 23,237               |
| Borrowings                   | 2,621          | 3,511          | 4,470          | 5,811 <sup>(1)</sup> |
|                              | <b>30,147</b>  | <b>26,748</b>  | <b>31,996</b>  | <b>29,048</b>        |

### Note:

Refer to Note 19 for fair value information.

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

## NOTE 17 FINANCIAL RISK MANAGEMENT (CONTINUED)

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The Finance Department manages the cash and investments portfolio with the assistance of independent investment advisers. Council has an investment policy which complies with the Local Government Act and Ministerial Investment Order 625. The policy is regularly reviewed by Council and an Investment Report provided to Council monthly setting out the make-up and performance of the portfolio as required by local government regulations.

The risk associated with investments held are:

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

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

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

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

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

|  | 30/06/2018<br>\$'000 | 30/06/2017<br>\$'000 |
|--|----------------------|----------------------|
| Estimated impact of a 10% <sup>(2)</sup> movement in price of investments:   |                      |                      |
| - Equity   | n/a                  | n/a                  |
| - Income statement   | n/a                  | n/a                  |
| Estimated impact of a 1% movement in interest rates on cash and investments: |                      |                      |
| - Equity   | 2,108                | 1,865                |
| - Income statement   | 2,108                | 1,865                |

#### **Note:**

<sup>(2)</sup> Movements in the price of investments is not calculated, as tradable investments are purchased with the intent to hold to maturity, at which point they are redeemed at face value. Movement in price of investments is calculated only on tradable investments.

**NOTE 17 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Credit risk**

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

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

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

Council makes suitable provision for doubtful receivables as required.

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

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

**Percentage of Rates and Annual charges**

|                                  | <b>2018</b>     | <b>2017</b>     |
|----------------------------------|-----------------|-----------------|
|                                  | <b>(\$'000)</b> | <b>(\$'000)</b> |
| <b>Notes</b>                     |                 |                 |
| - Current                        | 64%             | 65%             |
| - Overdue debts                  | 36%             | 35%             |
| <b>Analysis of overdue debts</b> | <b>\$'000</b>   | <b>\$'000</b>   |
| Less than 1 year                 | 2,170           | 1,901           |
| 1 to 2 years                     | 625             | 534             |
| 2 to 5 years                     | 538             | 464             |
| Greater than 5 years             | 45              | 18              |
| 7                                | <b>3,378</b>    | <b>2,917</b>    |

**Percentage of Other Receivables**

|                                  |               |               |
|----------------------------------|---------------|---------------|
| - Current                        | 87%           | 86%           |
| - Overdue debts                  | 13%           | 14%           |
| <b>Analysis of overdue debts</b> | <b>\$'000</b> | <b>\$'000</b> |
| 0 - 30 days overdue              | 8,120         | 7,503         |
| 31 - 60 days overdue             | 279           | 200           |
| 61 - 90 days overdue             | 47            | 108           |
| >91 days overdue                 | 936           | 921           |
| 7                                | <b>9,382</b>  | <b>8,732</b>  |

**Movement in provision for impairment for receivables**

|  | <b>2018</b> | <b>2017</b> |
|--|-------------|-------------|
| Balance at the beginning of the year             | 452         | 406         |
| Plus: New provisions recognised during the year  | 4           | 1           |
| Less: Amounts already provided for & written off | (3)         | 45          |
| <b>Balance at the end of the year</b>            | <b>453</b>  | <b>452</b>  |

**NOTE 17 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(c) Liquidity risk**

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon in extenuating circumstances.

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

| <b>2018<br/>\$'000</b> | <b>Weighted<br/>Average<br/>Interest rate<br/>%</b> | <b>Due Within<br/>1 Year</b> | <b>Due Between<br/>1 and 5 Years</b> | <b>Due After<br/>5 Years</b> | <b>Total<br/>Contractual<br/>CashFlows</b>  | <b>Carrying<br/>Values</b> |
|------------------------|---|------------------------------|--------------------------------------|------------------------------|---|----------------------------|
| <b>Payables</b>        |   | 27,526                       | -                                    | -                            | 27,526                                      | 27,526                     |
| <b>Borrowings</b>      | 3.15%   | 1,003                        | 1,415                                | 420                          | 2,838 <sup>(3)</sup>                        | 2,621                      |
|                        |   | <b>28,529</b>                | <b>1,415</b>                         | <b>420</b>                   | <b>30,364</b>                               | <b>30,147</b>              |
| <b>2017<br/>\$'000</b> |   | <b>Due Within<br/>1 Year</b> | <b>Due Between<br/>1 and 5 Years</b> | <b>Due After<br/>5 Years</b> | <b>Total<br/>Contractual<br/>Cash Flows</b> | <b>Carrying<br/>Values</b> |
| <b>Payables</b>        |   | 23,237                       | -                                    | -                            | 23,237                                      | 23,237                     |
| <b>Borrowings</b>      | 3.58%   | 986                          | 2,022                                | 784                          | 3,792 <sup>(3)</sup>                        | 3,511                      |
|                        |   | <b>24,223</b>                | <b>2,022</b>                         | <b>784</b>                   | <b>27,029</b>                               | <b>26,748</b>              |

<sup>(3)</sup> This represents the total payments (principal and interest) for the remaining term of the loans, with the amount of interest estimated for those loans with variable rates.

## NOTE 18 MATERIAL BUDGET VARIATIONS

Council's Original Budget was incorporated as part of the 2017-2021 Delivery Plan adopted by the Council on 27 June 2017, and is not required to be audited.

Whilst the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its original budget on a quarterly basis, so that it is able to manage the various variations between actuals and budget that invariably occur throughout the year. Many of the variances below have been adjusted during budget reviews throughout the 2017/18 financial year and, where appropriate, have been incorporated into the 2018/19 Original Budget in order to frame a more rigorous and robust budget.

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

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

### **Revenues**

#### **User charges and fees \$2,294K (14%) (F)**

Council received user charges and fees revenue of \$18,865k which was above the original budget by \$2,294k (14%).

The additional income received was predominantly related to development related income amounting to an additional \$2.7 million above the Original Budget. This is a reflection of the level of activity in the current local development market. Macquarie Park Parking Scheme income exceeded budgeted expectations by \$0.3 million. Road Restoration income was \$0.7 million below the Original Budget (note: a corresponding Road Restorations expenditure saving has been realised to offset this reduced income).

#### **Interest and investment revenue \$1,931K (46%) (F)**

Council received interest revenue of \$6,096k which was above the original budget by \$1,931k (46%).

Whilst interest rates have been reasonably flat over the last 12 months, the pool of funds available for investment have increased due to higher than expected Section 7.11 contributions and other Internal Reserves. It should be noted that these Section 7.11 funds, and the interest earned on their investment, cannot be applied to Council's normal operations and they are restricted in Council's reserves to be used for construction of new works under the Section 7.11 plan they were collected under.

#### **Other revenues \$913K (10%) (F)**

Council received other revenues of \$10,207k which was above the original budget by \$913k (10%).

Additional income derived from the sale of recycled construction materials amounted to \$0.5 million. An additional \$0.4 million in rental income also contributed to this favourable variation.

#### **Grants & contributions provided for capital purposes \$8,034K (39%) (F)**

Council received capital income of \$28,448k which was above the original budget by \$8,034k (39%).

Council received \$5.7 million in Section 7.11 Developer Contributions over and above its Original Budget estimate of \$20 million. In addition, Council received an RMS Grant of \$1.95 million which was not included in the Original Budget.

**NOTE 18 MATERIAL BUDGET VARIATIONS (CONTINUED)****Expenses****Borrowing costs   -\$36K (-25%) (F)**

Council incurred borrowing costs of \$110k which was below the original budget by -\$36k (-25%). Council's interest rates on loans are largely variable and with interest rates still relatively low, borrowing costs were less than anticipated.

**Other expenses   -\$4,905K (-24%) (F)**

Council paid other expenses of \$15,244k which was below the original budget by -\$4,905k (-24%). The majority of expenditure savings, when compared to the Original Budget, relate to a reduction in the Waste Development Tax as a result of increased processed material being diverted from landfill (\$2.4 million), street lighting charges (\$0.5 million) and utilities - power (\$0.2 million). The balance of expenditure savings in this area is the sum of minor savings across a wide variety of expenses throughout the organisation.

**Net loss from the disposal of assets   \$14,231K (100%) (U)**

Whilst Council received a net gain on the disposal of assets, being a total of \$617k favourable. Council had to charge \$14,848k to the Income Statement following the disposal of assets relating to Roads, Bridges and Footpaths in which the revaluation reserve was zero within this Infrastructure asset class.

## NOTE 19 FAIR VALUE MEASUREMENT

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

- Infrastructure, property plant and equipment
- Investment property

### 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 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).

**NOTE 19 FAIR VALUE MEASUREMENT (CONTINUED)**

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

| 30 June 2018                                  | Note | Level 2 Significant observable inputs (\$000's) | Level 3 Significant unobservable inputs (\$000's) | Total (\$000's)  |
|---|------|---|---|------------------|
| Investment properties                         | 10   | 117,165   | -   | 117,165          |
| Infrastructure, Property, Plant and Equipment | 9    |   |   |                  |
| - Operational land                            |      | 220,018   | -   | 220,018          |
| - Community land                              |      | -   | 142,287   | 142,287          |
| - Land under roads                            |      | -   | 1,155   | 1,155            |
| - Buildings (Specialised and non-specialised) |      | -   | 91,325  | 91,325           |
| - Roads, Bridges, Footpaths                   |      | -   | 366,749   | 366,749          |
| - Stormwater drainage                         |      | -   | 200,862   | 200,862          |
| <b>Subtotal I,PP &amp; E</b>                  |      |   | <b>802,378</b>                                    | <b>1,022,396</b> |
| <b>TOTALS</b>                                 |      | <b>337,183</b>                                  | <b>802,378</b>                                    | <b>1,139,561</b> |

| 30 June 2017                                  | Note | Level 2 Significant observable inputs (\$000's) | Level 3 Significant unobservable inputs (\$000's) | Total (\$000's)  |
|---|------|---|---|------------------|
| Investment properties                         | 10   | 115,540   | -   | 115,540          |
| Infrastructure, Property, Plant and Equipment | 9    |   |   |                  |
| - Operational land                            |      | 220,018   | -   | 220,018          |
| - Community land                              |      | -   | 142,287   | 142,287          |
| - Land under roads                            |      | -   | 1,155   | 1,155            |
| - Buildings (Specialised and non-specialised) |      | -   | 93,917  | 93,917           |
| - Roads, Bridges, Footpaths                   |      | -   | 368,514   | 368,514          |
| - Stormwater drainage                         |      | -   | 202,828   | 202,828          |
| <b>Subtotal I,PP &amp; E</b>                  |      |   | <b>808,701</b>                                    | <b>1,028,719</b> |
| <b>TOTALS</b>                                 |      | <b>335,558</b>                                  | <b>808,701</b>                                    | <b>1,144,259</b> |

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

## NOTE 19 FAIR VALUE MEASUREMENT (CONTINUED)

### Valuation Techniques

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government. Further details of the revaluations policy is provided under Note 9.

#### **Level 2 measurements**

##### Investment properties

On an annual basis, the Council engages external, independent and qualified valuers to determine the fair value of its investment properties. As at 30 June 2018, the fair values of the land have been determined by Scott Fullarton Valuations Pty Ltd.

All investment property valuations are included in level 2 of the hierarchy. The value of investment property has been determined using the market approach.

##### Land (Operational)

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

Operational Land was last revalued as at 31 May 2017 as determined by Scott Fullarton Valuations Pty Ltd.

#### **Level 3 measurements**

##### Buildings

The Council engages external, independent and qualified valuers to determine the fair value of the Council's buildings. Buildings were revalued in the 30 June 2017 financial year and the fair values were determined by Scott Fullarton Valuations Pty Ltd.

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

##### Land (Community and Land under road)

Community Land has been valued by the Valuer General as at 1 July 2016. Council has resolved to not recognise Land Under Roads (LUR) acquired before 1 July 2008.

The key unobservable input to the valuation is a discount rate of 90% (englobo method) on the council/municipal average value.

##### Infrastructure assets

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

The unit rate, which is a key unobservable input, is determined using an assessment of average historical internal costs, and rates from contracts with third party suppliers. Infrastructure assets were last revalued at 30 June 2016 with the exception of specialised buildings.

The information presented in the Fair Value Measure Hierarchy table on unobservable input has been limited to significant components of the infrastructure assets as it is impracticable to provide information for all components.

**NOTE 19 FAIR VALUE MEASUREMENT (CONTINUED)**

**Reconciliation of movements**

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

| <b>Level 3</b>   | <b>2018 (\$)</b> | <b>2017 (\$)</b> |
|--|------------------|------------------|
| Balance at 1 July  | 808,701          | 770,926          |
| Recognised in other comprehensive income – revaluation surplus | (11,325)         | 27,454           |
| Other movements  | (11,141)         | (9,428)          |
| Purchases  | 30,992           | 19,749           |
| <b>Balance at 30 June</b>                                      | <b>802,378</b>   | <b>808,701</b>   |

A reconciliation of the movements in recurring fair value measurements allocated to Level 2 of the hierarchy is provided below:

| <b>Level 2</b>                       | <b>2018 (\$)</b> | <b>2017 (\$)</b> |
|--------------------------------------|------------------|------------------|
| Balance at 1 July                    | 335,558          | 333,183          |
| Total gains or losses for the period | 1,625            | 2,375            |
| <b>Balance at 30 June</b>            | <b>337,183</b>   | <b>335,558</b>   |

**Transfers between levels of the hierarchy**

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

**Highest and Best Use**

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

**NOTE 20 RELATED PARTY DISCLOSURES**

**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. The City of Ryde KMP's are identified as the Councillors, General Manager and Directors.

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

| Compensation             | 2018 (\$000's) | 2017 (\$000's) |
|--------------------------|----------------|----------------|
| Short-term benefits      | 1,893          | 1,719          |
| Post-employment benefits | 98             | 96             |
| Other long-term benefits | 54             | 47             |
| <b>Total</b>             | <b>2,044</b>   | <b>1,861</b>   |

**Other transactions with KMP and their related entities**

Council has determined that transactions at arms lengths between KMP and Council as part of KMP using Council services (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

| Nature of the Transaction | Amount of the transactions during the year (\$000's) | Outstanding balances, including commitments at year end | Terms and conditions   | Provisions for doubtful debts related to the amount of outstanding balances | The expense recognised during the period relating to bad or doubtful debts due from related parties |
|---------------------------|--|---|--|---|---|
| <b>2018</b>               |  |   |  |   |   |
| -                         | -  | -   | -  | -   | -   |
| <b>2017</b>               |  |   |  |   |   |
| Grant Funding             | 70   | -   | KMP is a Board member where a Grant was provided as part of funding for FY2016 & FY2017 paid by Council. | -   | -   |

**Other Related Parties**

| Type of related party: subsidiary/ associate/ joint ventures/ other | Nature of the Transactions | Amount of the transactions during the year | Outstanding balances, including commitments at year end | Terms and conditions | Provisions for doubtful debts related to the amount of outstanding balances | The expense recognised during the period relating to bad or doubtful debts due from related parties |
|---|----------------------------|--|---|----------------------|---|---|
| <b>2018</b>   |                            |  |   |                      |   |   |
| Nil   |                            |  |   |                      |   |   |
| <b>2017</b>   |                            |  |   |                      |   |   |
| Nil   |                            |  |   |                      |   |   |

NOTE 21 STATEMENT OF DEVELOPER CONTRIBUTIONS

| PURPOSE                              | Opening Balance \$'000 | Contributions Received During Year <sup>(1)</sup> |                 | Interest & Investment Income earned during year \$'000 | Expended during year \$'000 | Internal Borrowings (To/From) <sup>(3)</sup> \$'000 | Held as restricted asset <sup>(2)(4)</sup> \$'000 |
|--------------------------------------|------------------------|---|-----------------|--|-----------------------------|---|---|
|                                      |                        | Cash \$'000                                       | Non-cash \$'000 |  |                             |   |   |
| Community & Culture                  | 11,414                 | 4,731   | -               | 350  | 1,004                       | -   | 15,491  |
| Open Space & Public Domain           | 46,505                 | 17,070  | -               | 1,412  | 7,685                       | (88)  | 57,214  |
| Roads, Traffic, Carparks & Cycleways | 1,800                  | 1,865   | -               | 52   | 3,805                       | 88  | -   |
| Stormwater Management                | 5,302                  | 889   | -               | 159  | 2,551                       | -   | 3,799   |
| Administration                       | 93                     | 141   | -               | 6  | 211                         | -   | 29  |
| <b>TOTAL UNDER PLAN 7.11</b>         | <b>65,114</b>          | <b>24,696</b>                                     | -               | <b>1,979</b>   | <b>15,256</b>               | -   | <b>76,533</b>                                     |
| Planning agreements                  | 11,288                 | -   | -               | -  | 1,174                       | -   | 10,114  |
| <b>TOTAL CONTRIBUTIONS</b>           | <b>76,402</b>          | <b>24,696</b>                                     | -               | <b>1,979</b>   | <b>16,430</b>               | -   | <b>86,647</b>                                     |

(1) Reconcilable with Note 3

(2) Reconcilable with Note 6 (Restricted Assets Excludes 'Amounts Expended In Advance')

(3) Cumulative balance of borrowing within and between plans

(4) The total balance under plans are restricted and reflected in Note 6(c) as External Restrictions, whereas the total balance of planning agreements (Voluntary Planning Agreements) is restricted in Note 6(c) as Internal.

**NOTE 22 STATEMENT OF PERFORMANCE MEASURES - CONSOLIDATED RESULTS**

|  | Amounts<br>(\$'000) | Indicators |        |        | Benchmark |
|--|---------------------|------------|--------|--------|-----------|
|  |                     | 2018       | 2017   | 2016   |           |
| <b>1. Operating performance</b>  |                     |            |        |        |           |
| Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions – operating expenses    | 16,390              | 12.99%     | 11.47% | 8.13%  | > 0%      |
| Total continuing operating revenue <sup>1</sup> excluding capital grants and contributions                         | 126,202             |            |        |        |           |
| <b>2. Own source operating revenue</b>   |                     |            |        |        |           |
| Total continuing operating revenue <sup>1</sup> excluding all grants and contributions                             | 118,958             | 76.92%     | 75.83% | 67.03% | > 60%     |
| Total continuing operating revenue <sup>1</sup> inclusive of all grants and contributions                          | 154,650             |            |        |        |           |
| <b>3. Unrestricted current ratio</b>   |                     |            |        |        |           |
| Current assets less all external restrictions  | 73,073              | 3.06x      | 3.44x  | 4.29x  | > 1.5x    |
| Current liabilities less specific purpose liabilities  | 23,875              |            |        |        |           |
| <b>4. Debt service cover ratio</b>   |                     |            |        |        |           |
| Operating results <sup>1</sup> before capital excluding interest and depreciation/impairment/amortisation (EBITDA) | 33,199              | 33.2x      | 27.65x | 12.00x | > 2x      |
| Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)     | 1,000               |            |        |        |           |
| <b>5. Rates and annual charges outstanding percentage</b>  |                     |            |        |        |           |
| Rates and annual charges outstanding   | 3,378               | 3.89%      | 3.63%  | 3.59%  | < 5%      |
| Rates and annual charges collectible   | 86,920              |            |        |        |           |
| <b>6. Cash expense cover ratio</b>   |                     |            |        |        |           |
| Current year's cash, cash equivalents + Term Deposits x 12   | 135,651 x           | 17.50      | 15.92  | 15.72  | > 3       |
| Payments from cash flow of operating and financing activities  | 93,030              | months     | months | months | months    |

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



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

To the Councillors of the Council of the City of Ryde

**Opinion**

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

In my opinion,

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

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

**Basis for Opinion**

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

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

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

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

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

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

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

### Other Information

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

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

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

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

I have nothing to report in this regard.

### The Councillors' Responsibilities for the Financial Report

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

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

### Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Somaiya Ahmed  
Director, Financial Audit Services

31 October 2018  
SYDNEY



Cr Jerome Laxale  
 Mayor  
 Council of the City of Ryde  
 1 Pope Street  
 RYDE NSW 2112

Contact: Somaiya Ahmed  
 Phone no: 02 9275 7424  
 Our ref: D1862252/1783

31 October 2018

Dear Mayor

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

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

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

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

**INCOME STATEMENT**

**Operating result**

|   | 2018<br>\$m | 2017<br>\$m | Variance<br>% |
|---|-------------|-------------|---------------|
| Rates and annual charges revenue            | 83.8        | 77.6        | ↑ 8.0         |
| Grants and contributions revenue            | 35.7        | 34.8        | ↑ 2.6         |
| Operating result for the year               | 32.2        | 33.0        | ↓ 2.4         |
| Net operating result before capital amounts | 3.8         | 7.3         | ↓ 47.9        |

Our insights inform and challenge government to improve outcomes for citizens



Council's operating result (\$32.2 million including the effect of depreciation and amortisation expense of \$16.7 million) remained relatively stable in comparison to 2016–17, at \$745,000 lower than the 2016–17 result.

The net operating result before capital grants and contributions (\$3.8 million) was \$3.5 million lower than the 2016–17 result. This was mainly due to:

- increase in rates and annual charges by \$6.2 million in 2017–18
- offset by \$10.7 million increase in operating expenses.

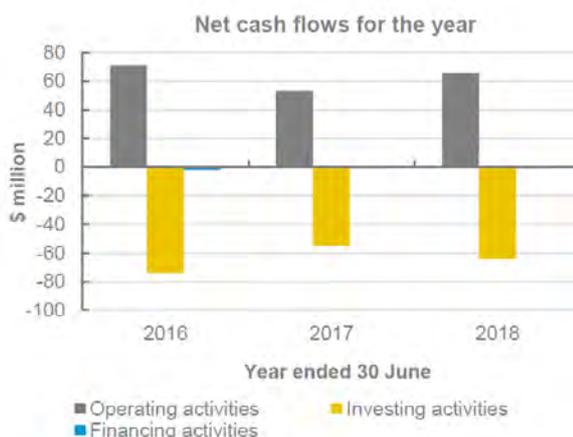
Rates and annual charges revenue (\$83.8 million) increased by \$6.2 million (8.0 per cent) in 2017–2018. The increase is primarily due to an increase of general rates revenue through an approved multi-year Special Rate Variation of 7.0 per cent.

Grants and contributions revenue (\$35.7 million) increased by \$908,000 (2.5 per cent) in 2017–2018 due to:

- a decrease in grants for operating purposes by \$1.8 million
- offset by \$2.7 million increase in grants for capital purposes.

## STATEMENT OF CASH FLOWS

- Cash flows from operating activities increased in line with the increase in rates and annual charges
- Increased investing activities outflows are due to purchases of investments in 2017–18.



## FINANCIAL POSITION

### Cash and Investments

| Cash and Investments        | 2018         | 2017         | Commentary   |
|-----------------------------|--------------|--------------|--|
|                             | \$m          | \$m          |  |
| External restrictions       | 112.1        | 100.5        | • Cash and investments increased by \$24.3 million due in part to increase in rates and annual charges of \$6.2 million and investment income of \$6.1 million.  |
| Internal restrictions       | 95.1         | 83.4         |  |
| Unrestricted                | 3.5          | 2.5          |  |
| <b>Cash and investments</b> | <b>210.7</b> | <b>186.4</b> | <ul style="list-style-type: none"> <li>• Significant externally restricted funds include \$86.6 million in developer contributions and \$12.1 million in domestic waste management.</li> <li>• Significant internally restricted funds include \$21.6 million in investment property reserve and \$19.2 million in asset replacement reserve.</li> </ul> |

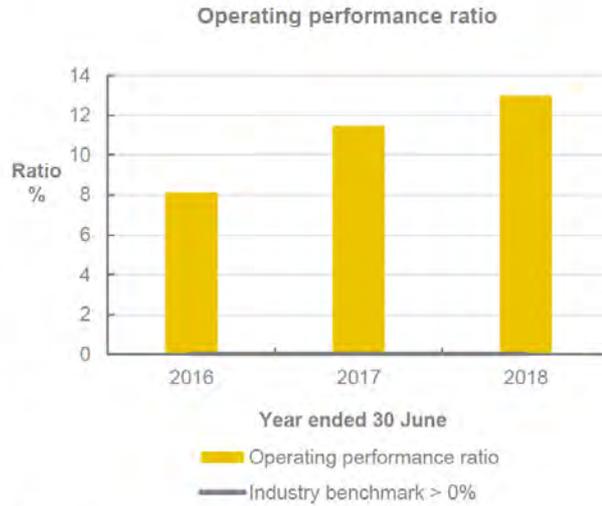
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 22 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

### Operating performance ratio

- Council continues to meet the benchmark of greater than zero per cent
- The ratio has increased primarily due to increase in rates and annual charges of \$6.2 million.

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



### Own source operating revenue ratio

Council continues to meet the benchmark of greater than 60 per cent in 2017–18.

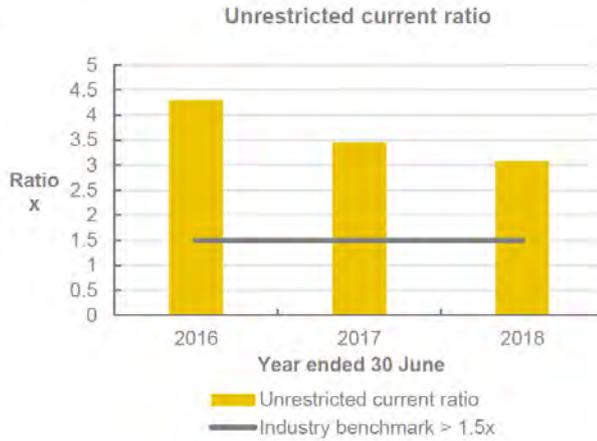
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



**Unrestricted current ratio**

- Council continues to exceed the benchmark due to high cash and investment balances.
- Council has sufficient liquid assets to meet its creditors payments as and when they fall due
- The decrease in 2017–18 was due to current liabilities increasing at a faster rate (\$2.7 million increase in deposits and retentions) compared to unrestricted current assets.

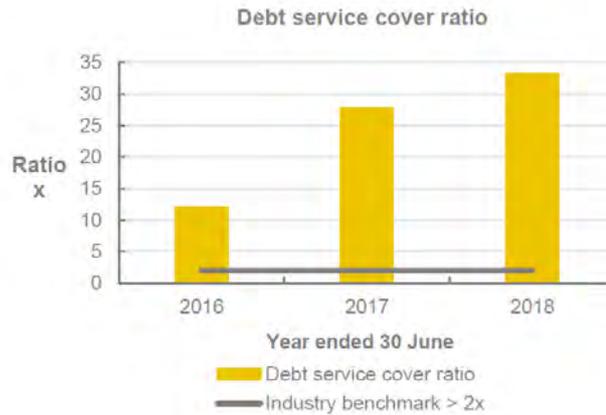
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



**Debt service cover ratio**

- Council exceeded the benchmark of greater than two times in 2017–18.
- The ratio increased from previous year mainly due to the increase in rates and annual charges.

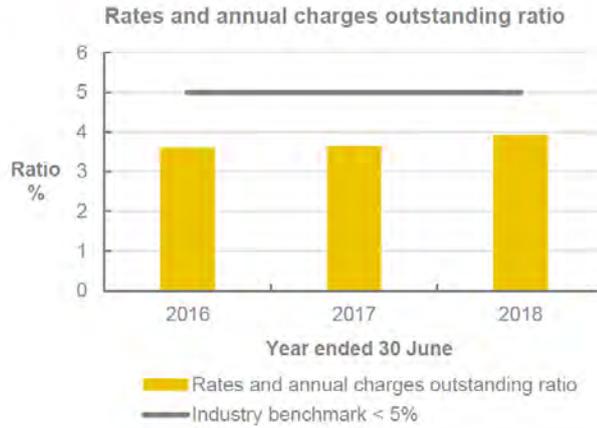
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



### Rates and annual charges outstanding ratio

Council continues to achieve the benchmark for outstanding rates and annual charges.

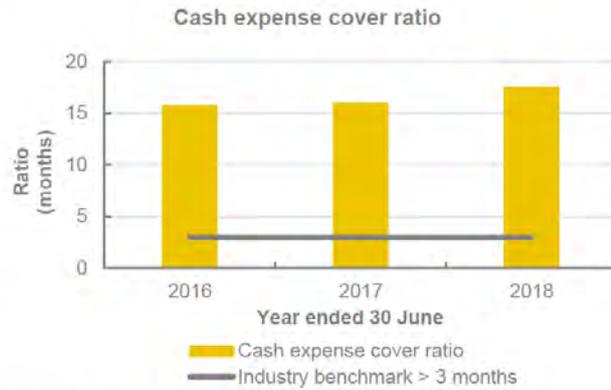
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



### Cash expense cover ratio

- Council exceeded the benchmark of greater than three months.
- This has increased slightly from prior year due to higher levels of cash from operations.

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.

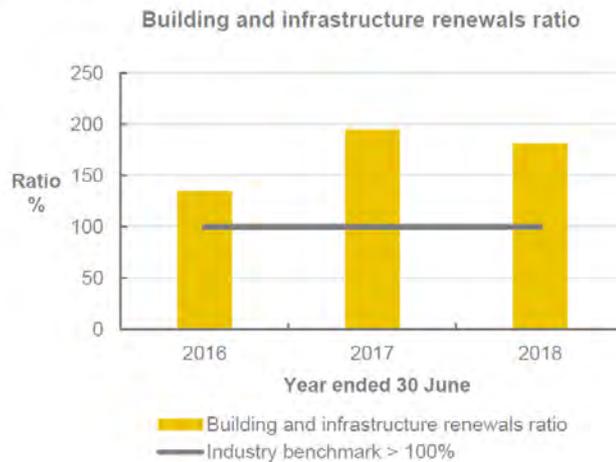


### Building and infrastructure renewals ratio (unaudited)

Council's building and infrastructure renewals ratio continues to exceed the benchmark.

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

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



## OTHER MATTERS

### New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

### Legislative compliance

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

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



Somaiya Ahmed  
Director, Financial Audit Services



Lifestyle and opportunity @ your doorstep

A horizontal bar composed of many small, multi-colored rectangular segments in shades of pink, purple, blue, green, yellow, orange, and red.

# **Special Purpose Financial Statements**

Year Ended 30 June 2018

## CONTENTS

|  |          |
|--|----------|
| <b>Statement by Councillors and Management</b>           | <b>3</b> |
| <b>Special Purpose Financial Statements</b>              |          |
| • Income Statement of Other Business Activities          | 4        |
| <b>Notes to the Special Purpose Financial Statements</b> |          |
| Note 1 Significant accounting policies                   | 6        |
| <b>Audit Reports</b>                                     |          |
| Audit Reports  | 8        |

**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 & 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:

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

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

Signed in accordance with a resolution of Council made on 30 October 2018.

Councillor Jerome Laxale

**Mayor**

30/10/2018

Councillor Simon Zhou

**Deputy Mayor**

30/10/2018

George Dedes

**General Manager**

30/10/18

Christine Joyce

**Responsible Accounting Officer**

30/10/18

## INCOME STATEMENT OF OTHER BUSINESS ACTIVITIES

|  | Ryde Aquatic Leisure Centre |               | Commercial Waste Management |              |
|--|-----------------------------|---------------|-----------------------------|--------------|
|  | (Category 1)                |               | (Category 2)                |              |
|  | 2018                        | 2017          | 2018                        | 2017         |
|  | \$'000                      | \$'000        | \$'000                      | \$'000       |
| <b>Income from continuing operations</b>   |                             |               |                             |              |
| Annual Charges   | -                           | -             | -                           | -            |
| User Charges   | 5,558                       | 5,754         | 1,473                       | 1,440        |
| Other income   | 19                          | 18            | -                           | -            |
| <b>Total Income From Continuing Operations</b>   | <b>5,577</b>                | <b>5,772</b>  | <b>1,473</b>                | <b>1,440</b> |
| <b>Expenses from continuing operations</b>   |                             |               |                             |              |
| Employee benefits and on costs   | 3,480                       | 3,368         | 55                          | -            |
| Materials and Contracts  | 548                         | 597           | 344                         | 387          |
| Depreciation, amortisation and impairment  | 1,088                       | 849           | -                           | -            |
| Calculated Taxation Equivalents  | 190                         | 184           | -                           | -            |
| Other expenses   | 81                          | 71            | 254                         | 273          |
| <b>Total Expenses From Continuing Operations</b>                                       | <b>5,387</b>                | <b>5,069</b>  | <b>653</b>                  | <b>660</b>   |
| <b>Surplus (Deficit) from Continuing Operations before capital amounts</b>             | <b>190</b>                  | <b>703</b>    | <b>820</b>                  | <b>780</b>   |
| <b>Surplus (Deficit) from Continuing Operations after capital amounts</b>              | <b>190</b>                  | <b>703</b>    | <b>820</b>                  | <b>780</b>   |
| <b>Surplus (Deficit) from All Operations before Tax</b>                                | <b>190</b>                  | <b>703</b>    | <b>820</b>                  | <b>780</b>   |
| Less Corporate Taxation Equivalent (30%)<br>[based on Operating result before capital] | 57                          | 211           | 246                         | 234          |
| <b>Surplus (Deficit) After Tax</b>   | <b>133</b>                  | <b>492</b>    | <b>574</b>                  | <b>546</b>   |
| <b>Opening Retained profits</b>  | <b>33,551</b>               | <b>32,664</b> | <b>200</b>                  | <b>200</b>   |
| Adjustments for Amounts Unpaid:-   |                             |               |                             |              |
| Taxation Equivalent Payments   | 190                         | 184           | -                           | -            |
| Corporate Taxation Equivalent  | 57                          | 211           | 246                         | 234          |
| Less: TER Dividend payment (non restricted activities)                                 | -                           | -             | (246)                       | (234)        |
| Less: Surplus Dividend payment (non restricted activities)                             | -                           | -             | (574)                       | (546)        |
| <b>Closing Retained Profits</b>  | <b>33,931</b>               | <b>33,551</b> | <b>200</b>                  | <b>200</b>   |
| <b>RETURN ON CAPITAL (%)</b>   | <b>0.57%</b>                | <b>2.03%</b>  | <b>0.00%</b>                | <b>0.00%</b> |
| <b>Required return on capital (%)</b>  | <b>5.17%</b>                | <b>5.61%</b>  | <b>0.00%</b>                | <b>0.00%</b> |
| <b>SUBSIDY FROM COUNCIL</b>  | <b>1,549</b>                | <b>1,240</b>  | <b>-</b>                    | <b>-</b>     |

## Calculation of Dividend Payable

|   |            |            |            |            |
|---|------------|------------|------------|------------|
| Surplus (Deficit) after tax               | 133        | 492        | 574        | 546        |
| Less: Capital grants & contributions      | -          | -          | -          | -          |
| Surplus for dividend calculation purposes | 133        | 492        | 574        | 546        |
| <b>Dividend calculated from surplus</b>   | <b>133</b> | <b>492</b> | <b>574</b> | <b>546</b> |

## FINANCIAL POSITION OF OTHER BUSINESS ACTIVITIES

|   | Ryde Aquatic Leisure Centre |               | Commercial Waste Management |            |
|---|-----------------------------|---------------|-----------------------------|------------|
|   | (Category 1)                |               | (Category 2)                |            |
|   | 2018                        | 2017          | 2018                        | 2017       |
|   | \$'000                      | \$'000        | \$'000                      | \$'000     |
| <b>CURRENT ASSETS</b>                       |                             |               |                             |            |
| Cash Asset and cash equivalents             | 1,296                       | 1,207         | -                           | -          |
| Receivables                                 | 94                          | 30            | 522                         | 516        |
| Inventories                                 | 12                          | 12            | -                           | -          |
| Other                                       | 6,521                       | 5,567         | -                           | -          |
| <b>TOTAL CURRENT ASSETS</b>                 | <b>7,923</b>                | <b>6,816</b>  | <b>522</b>                  | <b>516</b> |
| <b>NON-CURRENT ASSETS</b>                   |                             |               |                             |            |
| Infrastructure, Property, Plant & Equipment | 33,646                      | 34,639        | -                           | -          |
| <b>TOTAL NON-CURRENT ASSETS</b>             | <b>33,646</b>               | <b>34,639</b> | <b>-</b>                    | <b>-</b>   |
| <b>TOTAL ASSETS</b>                         | <b>41,569</b>               | <b>41,455</b> | <b>522</b>                  | <b>516</b> |
| <b>CURRENT LIABILITIES</b>                  |                             |               |                             |            |
| Payables                                    | 320                         | 344           | 50                          | 77         |
| Income received in advance                  | 363                         | 335           |                             |            |
| Interest Bearing Liabilities                | 300                         | 285           | 211                         | 190        |
| Provisions                                  | 885                         | 868           | 14                          | -          |
| <b>TOTAL CURRENT LIABILITIES</b>            | <b>1,869</b>                | <b>1,832</b>  | <b>275</b>                  | <b>267</b> |
| <b>NON-CURRENT LIABILITIES</b>              |                             |               |                             |            |
| Interest Bearing Liabilities                | 650                         | 951           | -                           | -          |
| Provisions                                  | 11                          | 12            | 47                          | 49         |
| <b>TOTAL NON-CURRENT LIABILITIES</b>        | <b>660</b>                  | <b>963</b>    | <b>47</b>                   | <b>49</b>  |
| <b>NET ASSETS</b>                           | <b>39,040</b>               | <b>38,660</b> | <b>200</b>                  | <b>200</b> |
| <b>EQUITY</b>                               |                             |               |                             |            |
| Retained Earnings                           | 33,931                      | 33,551        | 200                         | 200        |
| Revaluation Reserves                        | 5,109                       | 5,109         |                             |            |
| <b>TOTAL EQUITY</b>                         | <b>39,040</b>               | <b>38,660</b> | <b>200</b>                  | <b>200</b> |

## NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Report (SPFS) for National Competition Policy reporting purposes follows. These financial statements are a SPFS prepared for use by the Council and Office of Local Government. For the purposes of these statements, the Council is non-reporting not-for-profit entity.

The figures presented in the 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 the special purpose financial statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation 2005, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

### Declared Business Activities

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

#### Category 1

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

#### Category 2

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

### Monetary Amounts

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

### 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 the 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):

**NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

| Tax                | Notional Rate Applied %  |
|--------------------|--|
| Corporate Tax Rate | 30%  |
| Land Tax           | 1.6% of the value in excess of \$629,000 but less than \$3,846,000. 2% of the value in excess of \$3,846,000 |
| Payroll Tax        | 5.45% of total labour payments for the individual business activity in excess of \$750,000                   |
| Stamp Duty         | Statutory rates as published by the Office of State Revenue.   |

**Income Tax**

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

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

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

**Local Government Rates & Charges**

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

**Loan and Debt Guarantee Fees**

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

**(i) Subsidies**

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

**(ii) Return on Investments (Rate of Return)**

The 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". Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

**(iii) Dividends**

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS



## INDEPENDENT AUDITOR'S REPORT

### Report on the special purpose financial report

#### Council of the City of Ryde

To the Councillors of the Council of the City of Ryde

### Opinion

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

The Declared Business Activities of the Council are:

- Ryde Aquatic Leisure Centre
- Commercial Waste Management.

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

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter - Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does not provide assurance:

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



Somaiya Ahmed  
Director, Financial Audit Services

31 October 2018  
SYDNEY

 City of Ryde

Lifestyle and opportunity @ your doorstep



# **Special Schedules**

Year Ended 30 June 2018

## TABLE OF CONTENTS

|   |    |
|---|----|
| Special Schedule 1 - Net Cost of Services                 | 4  |
| Special Schedule 2 - Permissible income for general rates | 6  |
| Special Schedule 2 – Auditors Report                      | 7  |
| Special Schedule 7 - Report on Infrastructure Assets      | 10 |

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

| Function or Activity                                   | Expenses from continuing operations | Income from continuing operations (non-capital) | Income from continuing operations (capital) | Net cost of services |
|--|-------------------------------------|---|---|----------------------|
|  | \$'000                              | \$'000  | \$'000                                      | \$'000               |
| <b>Governance</b>                                      | <b>3,751</b>                        | <b>27</b>                                       |   | <b>(3,724)</b>       |
| <b>Administration</b>                                  | <b>20,845</b>                       | <b>2,737</b>                                    | <b>10</b>                                   | <b>(18,098)</b>      |
| <b>Public Order &amp; Safety</b>                       |                                     |   |   |                      |
| Fire Service Levy, Fire Protection, Emergency Services | 2,433                               | 23  |   | (2,410)              |
| Animal Control   | 323                                 | 92  |   | (231)                |
| Enforcement of Local Govt Regs                         | 968                                 | 4,164   |   | 3,196                |
| Other Public Order & Safety                            | 1,946                               | 4,251   |   | 2,305                |
| <b>Total Public Order &amp; Safety</b>                 | <b>5,670</b>                        | <b>8,530</b>                                    |   | <b>2,860</b>         |
| <b>Health</b>  | <b>745</b>                          | <b>429</b>                                      |   | <b>(316)</b>         |
| <b>Environment</b>                                     |                                     |   |   |                      |
| Noxious Plants and Insect/Vermin Control               | 118                                 |   |   | (118)                |
| Other Environment Protection                           | 552                                 | 9   |   | (543)                |
| Solid Waste Management                                 | 18,673                              | 22,813  |   | 4,140                |
| Stormwater Management                                  | 3,844                               | 1,141   | 1,002                                       | (1,701)              |
| <b>Total Environment</b>                               | <b>23,187</b>                       | <b>23,963</b>                                   | <b>1,002</b>                                | <b>1,778</b>         |
| <b>Community Services &amp; Education</b>              |                                     |   |   |                      |
| Administration & Education                             | 804                                 | 43  |   | (761)                |
| Social Protection (Welfare)                            | 2,217                               | 798   |   | (1,419)              |
| Aged Persons and Disabled                              | 428                                 | 493   |   | 65                   |
| Children's Services                                    | 334                                 | 47  |   | (287)                |
| <b>Total Community Services &amp; Education</b>        | <b>3,783</b>                        | <b>1,381</b>                                    |   | <b>(2,402)</b>       |
| <b>Housing &amp; Community Amenities</b>               |                                     |   |   |                      |
| Public Conveniences                                    | 1,140                               | 260   |   | (880)                |
| Street Lighting  | 2,221                               | 383   |   | (1,838)              |
| Town Planning  | 7,433                               | 13,438  | 15  | 6,020                |
| Other Community Amenities                              | 13                                  | 268   |   | 255                  |
| <b>Total Housing &amp; Community Amenities</b>         | <b>10,807</b>                       | <b>14,349</b>                                   | <b>15</b>                                   | <b>3,557</b>         |
| <b>Recreation &amp; Culture</b>                        |                                     |   |   |                      |
| Public Libraries                                       | 5,919                               | 1,126   |   | (4,793)              |
| Community Centres and Halls                            | 1,398                               | 310   |   | (1,088)              |
| Other Cultural Services                                | 650                                 | 235   |   | (415)                |
| Sporting Grounds and Venues                            | 736                                 | 875   | 48  | 187                  |
| Swimming Pools   | 6,561                               | 5,835   |   | (726)                |
| Parks & Gardens (Lakes)                                | 8,947                               | 8   |   | (8,939)              |
| Other Sport & Recreation                               | 212                                 | 80  |   | (132)                |
| <b>Total Recreation &amp; Culture</b>                  | <b>24,423</b>                       | <b>8,469</b>                                    | <b>48</b>                                   | <b>(15,906)</b>      |

**SPECIAL SCHEDULE 1 - NET COST OF SERVICES (CONTINUED)**

| Function or Activity  | Expenses from continuing operations | Income from continuing operations (non-capital) | Income from continuing operations (capital) | Net cost of services |
|---|-------------------------------------|---|---|----------------------|
|   | \$'000                              | \$'000  | \$'000                                      | \$'000               |
| <b>Mining, Manufacturing &amp; Construction</b>   |                                     |   |   |                      |
| Building Control  | 598                                 | 177   |   | (421)                |
| <b>Total Mining, Manufacturing &amp; Construction</b>                                       | <b>598</b>                          | <b>177</b>                                      |   | <b>(421)</b>         |
| <b>Transport &amp; Communication</b>  |                                     |   |   |                      |
| Urban Roads : Local   | 26,693                              | 3,940   | 27,313                                      | 4,560                |
| Bridges on Urban Roads : Local  | 64                                  |   |   | (64)                 |
| Footpaths   | 1,718                               |   |   | (1,718)              |
| Parking Areas   | 227                                 |   |   | (227)                |
| Other   | 300                                 | 205   | 60  | (35)                 |
| <b>Total Transport &amp; Communication</b>  | <b>29,002</b>                       | <b>4,145</b>                                    | <b>27,373</b>                               | <b>2,516</b>         |
| <b>Economic Affairs</b>   |                                     |   |   |                      |
| Other Economic Affairs  | 1,232                               | 2,125   |   | 893                  |
| <b>Total Economic Affairs</b>   | <b>1,232</b>                        | <b>2,125</b>                                    |   | <b>893</b>           |
| <b>TOTALS - FUNCTIONS</b>   | <b>124,043</b>                      | <b>66,332</b>                                   | <b>28,448</b>                               | <b>(29,263)</b>      |
| <b>GENERAL PURPOSE REVENUES <sup>(1)</sup></b>  |                                     | 61,495  |   | 61,495               |
| <b>SURPLUS/(DEFICIT) FROM ORDINARY ACTIVITIES BEFORE EXTRAORDINARY ITEMS <sup>(2)</sup></b> | <b>124,043</b>                      | <b>127,827</b>                                  | <b>28,448</b>                               | <b>32,232</b>        |
| <b>SURPLUS/(DEFICIT) FROM ALL ACTIVITIES <sup>(2)</sup></b>                                 | <b>124,043</b>                      | <b>127,827</b>                                  | <b>28,448</b>                               | <b>32,232</b>        |

**NOTE : 1** The definition of general purpose income for the purposes of disclosure in Note 2(a) is the aggregation of specific income items disclosed in Note 3 of the GPFS: ordinary rates; general purpose untied grants; interest on overdue rates and annual charges, internally restricted assets, and general council cash and investments and ex gratia rates.

2. As reported on the Income Statement

**SPECIAL SCHEDULE 2 - PERMISSIBLE INCOME FOR GENERAL RATES**

|   | 2017/2018<br>Calculation<br>\$'000 | 2018/2019<br>Calculation<br>\$'000 |
|---|------------------------------------|------------------------------------|
| <b>Notional General Income Calculation <sup>(1)</sup></b>           |                                    |                                    |
| Last Year Notional General Income Yield                             | 57,941                             | 63,151                             |
| Plus or minus Adjustments <sup>(2)</sup>                            | 1,358                              | 560                                |
| Notional General Income   | <b>59,299</b>                      | <b>63,711</b>                      |
| <br><b>Permissible Income Calculation</b>                           |                                    |                                    |
| Special variation percentage <sup>(3)</sup>                         | 7.00%                              | 7.29%                              |
| OR Rate peg percentage  | 1.50%                              | 2.30%                              |
| OR Crown land adjustment incl. rate peg percentage                  | -                                  | -                                  |
| Less expiring special variation amount                              | -                                  | -                                  |
| Plus special variation amount                                       | 4,151                              | 4,645                              |
| OR Plus rate peg amount   | -                                  | -                                  |
| OR Plus crown land adjustment and rate peg amount                   | -                                  | -                                  |
| Sub-total   | <b>63,450</b>                      | <b>68,355</b>                      |
| Plus or minus last year's Carry Forward Total                       | 3                                  | 331                                |
| Less Valuation Objections claimed in the previous year              | -                                  | -33                                |
| Sub-total   | <b>298</b>                         | <b>298</b>                         |
| <b>Total Permissible income</b>                                     | <b>63,449</b>                      | <b>68,653</b>                      |
| Less Notional General Income Yield                                  | 63,151                             | 68,467                             |
| Catch-up or (excess) result   | <b>298</b>                         | <b>187</b>                         |
| Plus Income lost due to valuation objections claimed <sup>(4)</sup> | 33                                 | -                                  |
| Less Unused catch-up <sup>(5)</sup>                                 | -                                  | -                                  |
| Carry forward to next year  | <b>331</b>                         | <b>187</b>                         |

**Notes**

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



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Council of the City of Ryde

To the Councillors of the Council of the City of Ryde

#### Opinion

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

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

My opinion should be read in conjunction with the rest of this report and the Emphasis of Matter referring to the basis of accounting.

#### Basis for Opinion

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

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

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

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

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

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

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

## Emphasis of Matter – Basis of Accounting

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

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

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

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

## Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Somaiya Ahmed  
Director, Financial Audit Services

31 October 2018  
SYDNEY

SPECIAL SCHEDULE 7 - REPORT ON INFRASTRUCTURE ASSETS

| Asset Class                           | Asset Category                          | Estimated Cost to bring to a satisfactory standard (overdue renewals) \$'000 | Required Annual Maintenance Expense \$'000 | Current Annual Maintenance \$'000 | Net Carrying Amount \$'000 | Gross Replacement Cost (GRC) \$'000 | Assets in Condition as a % of Gross Replacement Cost |               |               |              |              |
|---------------------------------------|---|--|--|-----------------------------------|----------------------------|-------------------------------------|--|---------------|---------------|--------------|--------------|
|                                       |   |  |  |                                   |                            |                                     | 1  | 2             | 3             | 4            | 5            |
| <b>Buildings</b>                      | Council Offices/ Administration Centres | -  | 3,156                                      | 2,767                             | -                          | 17,774                              | 19.70%   | 80.30%        | 100.00%       | -            | -            |
|                                       | Council Works Depot                     | -  | 382  | 359                               | 2,118                      | 9,141                               | 0.00%  | 12.20%        | 87.80%        | -            | -            |
|                                       | Council Public Halls                    | -  | -  | -                                 | 807                        | 9,904                               | -  | 100.00%       | -             | -            | -            |
|                                       | Libraries                               | -  | 714  | 595                               | 4,934                      | 9,280                               | -  | 50.04%        | 14.71%        | -            | -            |
|                                       | Cultural Facilities                     | -  | 826  | 868                               | 8,027                      | 19,819                              | -  | 12.55%        | 20.61%        | 4.37%        | 0.30%        |
|                                       | Amenities/Toilets                       | 61   | 457  | 486                               | 10,133                     | 20,094                              | 65.14%   | 11.90%        | 2.29%         | 13.11%       | 7.55%        |
|                                       | Other Buildings                         | 0  | 1,537                                      | 1,477                             | 26,318                     | 39,922                              | 38.988%  | 100.00%       | -             | -            | -            |
|                                       | Specialised Buildings                   | -  | -  | -                                 | 38,988                     | 53,168                              | -  | -             | -             | -            | -            |
|                                       | <b>Sub total</b>                        | <b>61</b>  | <b>7,072</b>                               | <b>6,551</b>                      | <b>91,325</b>              | <b>179,102</b>                      | <b>31.09%</b>  | <b>26.42%</b> | <b>30.20%</b> | <b>9.66%</b> | <b>2.63%</b> |
|                                       | <b>Other Structures</b>                 |  | 2,585                                      | 6,797                             | 6,058                      | 80,714                              | 98,464   | -             | -             | -            | -            |
| <b>Sub total</b>                      | <b>2,585</b>                            | <b>6,797</b>   | <b>6,058</b>                               | <b>80,714</b>                     | <b>98,464</b>              | <b>26.44%</b>                       | <b>49.79%</b>  | <b>15.20%</b> | <b>5.88%</b>  | <b>2.69%</b> |              |
| <b>Roads</b>                          | Sealed Roads Surface                    | 8,098  | 373  | 330                               | 221,347                    | 301,237                             | 12.72%   | 59.31%        | 27.98%        | 0.00%        | 0.00%        |
|                                       | Bridges                                 | 0  | 52   | 20                                | 2,405                      | 4,129                               | 10.97%   | 79.26%        | 6.97%         | 2.65%        | 0.19%        |
|                                       | Footpaths                               | 97   | 1,340                                      | 1,173                             | 51,478                     | 62,479                              | -  | -             | -             | -            | -            |
|                                       | Cycle ways                              | -  | 80   | 112                               | -                          | -                                   | 1.76%  | 81.89%        | 14.20%        | 2.10%        | 0.05%        |
|                                       | Kerb and Gutter                         | 49   | 1,415                                      | 1,385                             | 88,229                     | 102,816                             | 9.43%  | 32.22%        | 19.33%        | 19.57%       | 19.45%       |
|                                       | Other Road Assets                       | 1,392  | 1,804                                      | 1,905                             | 3,295                      | 7,157                               | -  | -             | -             | -            | -            |
|                                       | <b>Sub total</b>                        | <b>9,635</b>   | <b>5,065</b>                               | <b>4,925</b>                      | <b>366,749</b>             | <b>477,818</b>                      | <b>9.57%</b>   | <b>90.43%</b> | <b>0.00%</b>  | <b>0.00%</b> | <b>0.00%</b> |
|                                       | Retaining Basins                        | 0  | 932  | -                                 | 932                        | 1,064                               | -  | -             | -             | -            | -            |
|                                       | Stormwater Conduits                     | 817  | 187  | 175                               | 146,267                    | 183,974                             | 7.88%  | 72.28%        | 16.04%        | 3.35%        | 0.44%        |
|                                       | Inlet and Junction Pits                 | 103  | -  | -                                 | 45,164                     | 66,917                              | 6.98%  | 50.84%        | 38.27%        | 3.76%        | 0.15%        |
| Other                                 | 0                                       | -  | -  | 8,499                             | 14,795                     | 13.55%                              | 24.65%   | 45.24%        | 16.56%        | 0.00%        |              |
| <b>Sub total</b>                      | <b>920</b>                              | <b>187</b>   | <b>175</b>                                 | <b>200,862</b>                    | <b>266,750</b>             | <b>-</b>                            | <b>-</b>   | <b>-</b>      | <b>-</b>      | <b>-</b>     |              |
| <b>Open Space/Recreational Assets</b> |   | -  | 1,517                                      | 1,483                             | -                          | -                                   | -  | -             | -             | -            |              |
| Swimming Pools                        | -                                       | -  | -  | -                                 | -                          | -                                   | -  | -             | -             | -            |              |
| Other Open Space/ Recreational Assets | -                                       | -  | -  | -                                 | -                          | -                                   | -  | -             | -             | -            |              |
| <b>Sub total</b>                      | <b>-</b>                                | <b>1,517</b>   | <b>1,483</b>                               | <b>-</b>                          | <b>-</b>                   | <b>-</b>                            | <b>-</b>   | <b>-</b>      | <b>-</b>      | <b>-</b>     |              |
| <b>Other Infrastructure Assets</b>    |   | -  | -  | -                                 | -                          | -                                   | -  | -             | -             | -            |              |
| Sub total                             | -                                       | -  | -  | -                                 | -                          | -                                   | -  | -             | -             | -            |              |
| <b>Total classes</b>                  |   | <b>13,201</b>  | <b>20,638</b>                              | <b>19,191</b>                     | <b>739,651</b>             | <b>1,022,135</b>                    | <b>17.48%</b>  | <b>57.16%</b> | <b>18.91%</b> | <b>4.86%</b> | <b>1.59%</b> |

**Notes:**

Satisfactory condition refers to an asset that is not due for renewal, where a condition rating scale from 1 (Very Good Condition) to 5 (Asset Unserviceable) is utilised (Source: International Infrastructure Management Manual 2006). It does not include any planned 'enhancements' to the asset. Condition 5 assets are taken as being overdue for renewal, as the end of Condition 4 is the intervention point, useful life of the asset, at which time it should be renewed or disposed of.

**Condition Rating**      **Condition Description**

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

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

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

SPECIAL SCHEDULE 7 - REPORT ON INFRASTRUCTURE ASSETS (CONTINUED)

**\*Buildings**  
 In assessing the condition of the building assets, an overall condition rating is applied to the building. When a building is noted as satisfactory, this should be interpreted that the majority of assets within the building (i.e. building components) are in a satisfactory condition. However there may be individual assets within the building that may be in an unsatisfactory condition.  
 In June 2017, Council resolved that Denistone East Bowling Club would become a passive and active recreation space. Subsequently, no renewal will occur for the component in Condition 5 for Other Buildings.

**\*\*Public Roads**  
 Included within the "Public Roads" group of assets is Urban Roads, Footpaths, and Kerb and Gutter  
 Council has adopted the use of a Pavement Management System (PMS) and condition data has been collected since 1991. The current replacement cost of the road assets is \$301M.  
 Council's footpath network has a current replacement value of \$62M. Council has designed and implemented a Footpath Management System, where every footpath is inspected and rated on a 1 to 5 rating basis.  
 Council manages kerb & gutter as part of the pavement management system, with condition rating done in conjunction with pavements. The current replacement value is \$103M.  
 The current replacement cost of bridges is \$4M.

| Infrastructure Asset Performance Indicators – Consolidated  | Amounts<br>\$'000       | Current year | 2017 | 2016 | 2015 | Benchmark |
|---|-------------------------|--------------|------|------|------|-----------|
| <b>Buildings Infrastructure Renewals Ratio</b><br>Asset Renewals (building, infrastructure & other structures)<br>Depreciation, amortisation and impairment   | \$23,545<br>\$13,024    | 181%         | 194% | 134% | 89%  | >100%     |
| <b>Infrastructure backlog ratio (WDV)</b><br>Estimated cost to bring assets to a satisfactory condition<br>(overdue renewals)<br>Net carrying amount of infrastructure assets   | \$13,201<br>\$739,651   | 1.8%         | 2.7% | 3.4% | 3%   | < 2%      |
| <b>Asset maintenance ratio</b><br>Actual asset maintenance<br>Required asset maintenance  | \$19,191<br>\$20,638    | 93%          | 93%  | 88%  | 108% | >100%     |
| <b>Cost to bring assets to agreed service level</b><br>Estimated cost to bring assets to a satisfactory condition<br>(overdue renewals)<br>Total value of infrastructure, building, other structures<br>and depreciable land improvement assets (GBV) | \$13,201<br>\$1,022,135 | 1.3%         | 2.0% | 2.5% | 3%   | < 2%      |