

# Strathfield Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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# Strathfield Municipal Council

## General Purpose Financial Statements

for the year ended 30 June 2016

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### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Strathfield Municipal Council.
- (ii) Strathfield Municipal Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 05 December 2016. Council has the power to amend and reissue these financial statements.
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## Strathfield Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

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

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

##### 2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

##### 3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

##### 4. The Statement of Changes in Equity

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

##### 5. The Statement of Cash Flows

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

##### About the Notes to the Financial Statements

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

##### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

## Strathfield Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2016

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 06 September 2016.



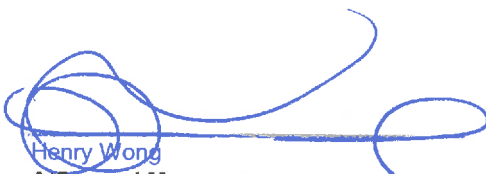
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Sang Ok  
Mayor



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Andrew Soulos  
Councillor



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Henry Wong  
A/General Manager



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Les O'Donnell  
Responsible Accounting Officer

# Strathfield Municipal Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
22,105	Rates and annual charges	3a	22,763	21,519
5,324	User charges and fees	3b	4,387	5,331
1,132	Interest and investment revenue	3c	1,497	1,444
1,254	Other revenues	3d	1,406	1,820
1,471	Grants and contributions provided for operating purposes	3e,f	3,805	2,956
4,528	Grants and contributions provided for capital purposes	3e,f	6,774	9,566
<b>Other income:</b>				
131	Net gains from the disposal of assets	5	59	51
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>35,945</b>	<b>Total income from continuing operations</b>		<b>40,691</b>	<b>42,687</b>
<b>Expenses from continuing operations</b>				
14,326	Employee benefits and on-costs	4a	12,480	12,363
–	Borrowing costs	4b	–	–
6,761	Materials and contracts	4c	8,125	8,056
4,759	Depreciation and amortisation	4d	5,081	4,351
–	Impairment	4d	–	–
8,384	Other expenses	4e	7,735	7,657
<b>34,230</b>	<b>Total expenses from continuing operations</b>		<b>33,421</b>	<b>32,427</b>
<b>1,715</b>	<b>Operating result from continuing operations</b>		<b>7,270</b>	<b>10,260</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>1,715</b>	<b>Net operating result for the year</b>		<b>7,270</b>	<b>10,260</b>
1,715	Net operating result attributable to Council		7,270	10,260
–	Net operating result attributable to non-controlling interests		–	–
<b>(2,813)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>496</b>	<b>694</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Strathfield Municipal Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>7,270</b>	<b>10,260</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	12,367	7,046
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>12,367</b>	<b>7,046</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>12,367</b>	<b>7,046</b>
<b>Total comprehensive income for the year</b>		<b>19,637</b>	<b>17,306</b>
<b>Total comprehensive income attributable to Council</b>		<b>19,637</b>	<b>17,306</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Strathfield Municipal Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	10,664	9,572
Investments	6b	42,500	34,500
Receivables	7	2,977	2,788
Inventories	8	132	78
Other	8	61	113
Non-current assets classified as 'held for sale'	22	–	–
<b>Total current assets</b>		<b>56,334</b>	<b>47,051</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	278,684	266,922
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>278,684</b>	<b>266,922</b>
<b>TOTAL ASSETS</b>		<b>335,018</b>	<b>313,973</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	9,524	8,026
Borrowings	10	–	–
Provisions	10	3,022	3,302
<b>Total current liabilities</b>		<b>12,546</b>	<b>11,328</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	–	–
Provisions	10	357	167
<b>Total non-current liabilities</b>		<b>357</b>	<b>167</b>
<b>TOTAL LIABILITIES</b>		<b>12,903</b>	<b>11,495</b>
<b>Net assets</b>		<b>322,115</b>	<b>302,478</b>
<b>EQUITY</b>			
Retained earnings	20	177,381	170,416
Revaluation reserves	20	144,734	132,062
<b>Council equity interest</b>		<b>322,115</b>	<b>302,478</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>322,115</b>	<b>302,478</b>

## Strathfield Municipal Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		170,416	132,062	<b>302,478</b>	–	<b>302,478</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>170,416</b>	<b>132,062</b>	<b>302,478</b>	–	<b>302,478</b>
<b>c. Net operating result for the year</b>		<b>7,270</b>	–	<b>7,270</b>	–	<b>7,270</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	12,367	<b>12,367</b>	–	<b>12,367</b>
<b>Other comprehensive income</b>		–	<b>12,367</b>	<b>12,367</b>	–	<b>12,367</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>7,270</b>	<b>12,367</b>	<b>19,637</b>	–	<b>19,637</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		(305)	305	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>177,381</b>	<b>144,734</b>	<b>322,115</b>	–	<b>322,115</b>

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		160,156	125,016	<b>285,172</b>	–	<b>285,172</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>160,156</b>	<b>125,016</b>	<b>285,172</b>	–	<b>285,172</b>
<b>c. Net operating result for the year</b>		<b>10,260</b>	–	<b>10,260</b>	–	<b>10,260</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsv	20b (ii)	–	7,046	<b>7,046</b>	–	<b>7,046</b>
<b>Other comprehensive income</b>		–	<b>7,046</b>	<b>7,046</b>	–	<b>7,046</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>10,260</b>	<b>7,046</b>	<b>17,306</b>	–	<b>17,306</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>170,416</b>	<b>132,062</b>	<b>302,478</b>	–	<b>302,478</b>



## Strathfield Municipal Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
22,105	Rates and annual charges		22,492	21,526
5,324	User charges and fees		5,088	5,759
1,131	Investment and interest revenue received		1,451	1,368
5,997	Grants and contributions		10,448	12,394
1,050	Bonds, deposits and retention amounts received		1,478	2,377
–	Other		2,863	3,539
<b>Payments:</b>				
(14,326)	Employee benefits and on-costs		(12,518)	(12,132)
(6,760)	Materials and contracts		(8,641)	(10,446)
–	Bonds, deposits and retention amounts refunded		(545)	(1,822)
(8,384)	Other		(8,692)	(7,620)
<b>6,137</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>13,424</b>	<b>14,943</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
26,000	Sale of investment securities		34,500	26,000
–	Sale of infrastructure, property, plant and equipment		1,256	373
<b>Payments:</b>				
(34,000)	Purchase of investment securities		(42,500)	(39,000)
(6,386)	Purchase of infrastructure, property, plant and equipment		(5,589)	(3,181)
<b>(14,386)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(12,333)</b>	<b>(15,808)</b>
<b>Cash flows from financing activities</b>				
Nil				
<b>(8,249)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,092</b>	<b>(865)</b>
9,572	Plus: cash and cash equivalents – beginning of year	11a	9,572	10,437
<b>1,323</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>10,664</b>	<b>9,572</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	42,500	34,500
<b>Total cash, cash equivalents and investments</b>			<b>53,164</b>	<b>44,072</b>

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting 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.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

- (i) Estimated fair values of infrastructure, property, plant and equipment,

##### (b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to it, and specific criteria have been met for each of the Council's activities as described below.

Council bases any estimates on historical results, taking into consideration the type of customer, 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:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

#### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General purpose operations

#### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that 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 statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

Council has no interest in any joint arrangements.

###### Associates

Council has no interest in any associates.

###### County councils

Council is not a member of any county councils.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

###### Finance leases

There are no Finance Leases.

###### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

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

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and 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 include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General accounting and measurement of financial instruments:

###### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (ii) Subsequent measurement

**Available-for-sale financial assets and financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables** and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as **'fair value through profit or loss'** category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as **'available-for-sale'** are recognised in equity in the available-for-sale investments revaluation reserve.

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

##### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise 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 arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

##### (g) 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 balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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.

#### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

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.

#### (i) Inventories

##### (i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings

are all 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 the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### (ii) Inventory held for distribution

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

##### (iii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (j) Infrastructure, property, plant and equipment (I,PP&E)

###### Acquisition of assets

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.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (internal valuation)
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures**  
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Bulk earthworks** (external valuation)
- **Drainage Assets** (external valuation)
- **Other assets**  
(as approximated by depreciated historical cost)

###### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

###### Subsequent costs

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.

###### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

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.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following:

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant & Equipment

Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$5,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

##### Stormwater Assets

Drains & Culverts	> \$4,000
Other	> \$4,000

##### Transport Assets

Road construction & reconstruction	> \$5,000
Reseal/Re-sheet & major repairs:	> \$5,000

Bridge construction & reconstruction	> \$10,000
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#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

- Office Equipment	4 to 25 years
- Office furniture	4 to 25 years
- Computer Equipment	4 years
- Vehicles	5 years
- Heavy Plant/Road Making equip.	8 years

##### Park Assets

- Playground equipment	40 years
- Furniture	15 to 60 years

##### Buildings

- Buildings: Masonry	45 to 150 years
- Buildings: Other	15 to 100 years

##### Stormwater Drainage

- Pits	13 to 85 years
- Pipes	80 years

##### Transportation Assets

- Sealed Roads: Surface	25 years
- Sealed Roads: Structure	100 years
- Bridges	80 years

- Kerb, Gutter & Paths	50 years
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##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

#### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **(k) Land**

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### **(l) Land under roads**

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

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

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

##### **(m) Intangible assets**

Council has not classified any assets as intangible.

##### **(n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### **(o) Rural fire service assets**

Under section 119 of the *Rural Fires Act 1997*, 'all fire fighting 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 fire fighting equipment has been purchased or constructed'.

Council does not have any Rural Fire Service assets.

##### **(p) Investment property**

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council does not have any Investment Properties.

##### **(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries**

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to

the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Council does not have any borrowings.

#### (v) Borrowing costs

Council does not have any borrowing costs.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

#### (x) Employee benefits

##### (i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

#### (ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than

4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

#### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

#### Defined benefit plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

The last valuation of the scheme was performed by Mr Richard Boyfield FIAA (AFS Licence # 411770) on 24/02/16 and covers the period ended 30/06/16.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 260,924.

The amount of additional contributions included in the total employer contribution advised above is \$ 202,276.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 240,168 as at 30 June 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

#### Defined contribution 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.

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will

arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (y) Self-insurance

Council does not self-insure.

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### **(ab) New accounting standards and Interpretations issued (not yet effective)**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative figures**

To ensure comparability with the current reporting period's figures, some comparative period line items

and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### **(ae) Disclaimer**

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	291	553	255	(291)	(553)	(255)	–	472	1	79
Administration	1,230	2,077	2,395	6,546	6,490	7,434	(5,316)	(4,413)	(5,039)	10	20	56,407	51,143
Public order and safety	1,000	657	799	1,377	1,365	1,364	(377)	(708)	(565)	–	–	452	427
Health	182	393	345	459	517	395	(277)	(124)	(50)	230	–	–	–
Environment	6,238	7,516	6,436	7,164	6,775	6,357	(926)	741	79	705	189	36,418	22,914
Community services and education	369	494	567	1,215	1,085	811	(846)	(591)	(244)	147	424	2,226	1,958
Housing and community amenities	261	241	225	1,834	1,318	1,585	(1,573)	(1,077)	(1,360)	–	128	19,318	5,503
Recreation and culture	5,602	8,491	8,428	7,974	8,290	7,203	(2,372)	201	1,225	109	1,071	74,434	57,679
Mining, manufacturing and construction	1,005	908	1,074	667	863	736	338	45	338	–	–	–	–
Transport and communication	1,722	1,757	4,827	6,548	6,088	6,146	(4,826)	(4,331)	(1,319)	683	42	145,763	174,270
Economic affairs	–	–	1	155	77	141	(155)	(77)	(140)	–	–	–	–
<b>Total functions and activities</b>	<b>17,609</b>	<b>22,534</b>	<b>25,097</b>	<b>34,230</b>	<b>33,421</b>	<b>32,427</b>	<b>(16,621)</b>	<b>(10,887)</b>	<b>(7,330)</b>	<b>1,884</b>	<b>2,346</b>	<b>335,018</b>	<b>313,973</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	18,336	18,157	17,590	–	–	–	18,336	18,157	17,590	1,186	1,183	–	–
<b>Operating result from continuing operations</b>	<b>35,945</b>	<b>40,691</b>	<b>42,687</b>	<b>34,230</b>	<b>33,421</b>	<b>32,427</b>	<b>1,715</b>	<b>7,270</b>	<b>10,260</b>	<b>3,070</b>	<b>3,529</b>	<b>335,018</b>	<b>313,973</b>

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **GOVERNANCE**

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		10,953	10,567
Business		4,924	4,772
<b>Total ordinary rates</b>		<b>15,877</b>	<b>15,339</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,568	5,925
Stormwater management services		274	222
Section 611 charges		44	33
<b>Total annual charges</b>		<b>6,886</b>	<b>6,180</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>22,763</b>	<b>21,519</b>

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Waste management services (non-domestic)		205	174
<b>Total user charges</b>		<b>205</b>	<b>174</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		1,598	1,236
Section 149 certificates (EPA Act)		132	140
Section 603 certificates		62	66
Health act		163	166
Other		4	6
<b>Total fees and charges – statutory/regulatory</b>		<b>1,959</b>	<b>1,614</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care		185	186
Community services		23	11
Companion animals		15	19
Hudson park golf course		953	1,057
Leaseback fees – Council vehicles		35	63
Library		18	16
Other property rentals		502	543
Park rents		329	434
Restoration charges		163	1,214
<b>Total fees and charges – other</b>		<b>2,223</b>	<b>3,543</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>4,387</b>	<b>5,331</b>

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		55	53
– Interest earned on investments (interest and coupon payment income)		1,442	1,391
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>1,497</b>	<b>1,444</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		55	53
General Council cash and investments		749	732
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		579	540
Domestic waste management operations		114	119
<b>Total interest and investment revenue recognised</b>		<b>1,497</b>	<b>1,444</b>
<b>(d) Other revenues</b>			
Ex gratia rates		290	283
Fines – parking		571	713
Fines – other		12	11
Legal fees recovery – other		55	64
Carbon Tax Rebate		156	–
Diesel rebate		–	96
Events sponsorship		12	38
Insurance claim recoveries		14	98
Insurance incentives		11	225
Nursery sales		11	2
Other corporate income		50	9
Pipeline charges		85	80
Utilities reimbursements		17	44
Other		122	157
<b>TOTAL OTHER REVENUE</b>		<b>1,406</b>	<b>1,820</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	800	793	–	–
Financial assistance – local roads component	270	270	–	–
Pensioners' rates subsidies – general component	116	120	–	–
<b>Total general purpose</b>	<b>1,186</b>	<b>1,183</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	61	60	–	–
Aged care	169	166	–	–
Communication – NBN project	–	–	–	187
Community care	147	121	–	–
Crime safety and crime prevention	–	6	–	–
Environmental protection	673	510	–	700
Library	73	–	36	107
Noxious weeds	32	18	–	–
Planning	10	20	–	–
Recreation and culture	–	–	–	33
Road safety	42	31	–	–
Street lighting	128	128	–	–
Transport (roads to recovery)	503	–	–	–
Transport (other roads and bridges funding)	11	11	–	248
<b>Total specific purpose</b>	<b>1,848</b>	<b>1,071</b>	<b>36</b>	<b>1,275</b>
<b>Total grants</b>	<b>3,034</b>	<b>2,254</b>	<b>36</b>	<b>1,275</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	2,353	1,718	–	220
– State funding	681	535	36	1,055
– Other funding	–	1	–	–
	<b>3,034</b>	<b>2,254</b>	<b>36</b>	<b>1,275</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	68	80	6,738	8,291
<b>Total developer contributions</b>	<b>68</b>	<b>80</b>	<b>6,738</b>	<b>8,291</b>
<b>Other contributions:</b>				
Cooks river alliance	428	418	–	–
RMS contributions (regional roads, block grant)	275	204	–	–
<b>Total other contributions</b>	<b>703</b>	<b>622</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>771</b>	<b>702</b>	<b>6,738</b>	<b>8,291</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>3,805</b>	<b>2,956</b>	<b>6,774</b>	<b>9,566</b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	23,798	14,948
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	8,201	10,336
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(2,723)	(1,486)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>5,478</b>	<b>8,850</b>
<b>Unexpended and held as restricted assets</b>	<b>29,276</b>	<b>23,798</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,357	2,045
– Developer contributions	27,919	21,753
– Other contributions	–	–
	<b>29,276</b>	<b>23,798</b>



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		9,488	8,506
Travel expenses		403	517
Employee leave entitlements (ELE)		1,906	1,847
Superannuation		1,101	981
Workers' compensation insurance		402	421
Fringe benefit tax (FBT)		117	125
Training costs (other than salaries and wages)		106	145
Protective clothing		23	16
Other		9	6
<b>Total employee costs</b>		<b>13,555</b>	<b>12,564</b>
Less: capitalised costs		(1,075)	(201)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>12,480</b>	<b>12,363</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>145</b>	<b>152</b>
<b>(b) Borrowing costs</b>			
Nil			
<b>(c) Materials and contracts</b>			
Raw materials and consumables		3,712	3,944
Contractor and consultancy costs		1,218	727
– Contract relief staff		1,496	1,620
– Strategic planning consultants		6	72
– Street and gutter cleaning		534	608
Auditors remuneration <sup>(1)</sup>		83	50
Infringement notice contract costs (SEINS)		97	111
Legal expenses:			
– Legal expenses: planning and development		446	568
– Legal expenses: debt recovery		39	83
– Legal expenses: other		433	149
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		61	124
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>8,125</b>	<b>8,056</b>
<b>(continued on the next page...)</b>			

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		38	38
– Internal audit		34	12
<b>Remuneration for audit and other assurance services</b>		<b>72</b>	<b>50</b>
<b>(ii) Other non-assurance services</b>			
– Other services		11	–
<b>Remuneration for other services</b>		<b>11</b>	<b>–</b>
<b>Total Auditor remuneration</b>		<b>83</b>	<b>50</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		61	124
		<b>61</b>	<b>124</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	672	636
Office equipment		–	–	150	150
Land improvements (depreciable)		–	–	29	15
Park assets		–	–	739	159
Infrastructure:					
– Buildings – non-specialised		–	–	116	116
– Buildings – specialised		–	–	527	513
– Roads		–	–	1,711	1,696
– Bridges		–	–	51	15
– Footpaths		–	–	412	405
– Stormwater drainage		–	–	528	528
Other assets					
– Library books		–	–	100	71
– Other		–	–	46	47
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>5,081</b>	<b>4,351</b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		494	442
Bad and doubtful debts		42	170
Bank charges		64	66
Cleaning		190	179
Contributions/levies to other levels of government			
– Department of Planning levy		86	84
– NSW Fire Brigade levy		594	562
Councillor expenses – mayoral fee		71	39
Councillor expenses – councillors' fees		129	126
Councillors' expenses (incl. mayor) – other (excluding fees above)		40	58
Donations, contributions and assistance to other organisations (Section 356)		43	38
Electricity and heating		408	433
Insurance		495	503
Office expenses (including computer expenses)		103	126
Postage		73	56
Printing and stationery		154	200
Security		42	42
Street lighting		633	688
Subscriptions and publications		48	52
Telephone and communications		276	198
Valuation fees		47	47
Waste disposal – tipping fees		3,703	3,548
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>7,735</u></b>	<b><u>7,657</u></b>

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		490	373
Less: carrying amount of plant and equipment assets sold/written off		(417)	(277)
<b>Net gain/(loss) on disposal</b>		<b>73</b>	<b>96</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		–	(45)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(45)</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		34,500	26,000
Less: carrying amount of financial assets sold/redeemed/matured		(34,500)	(26,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other (land &amp; building)</b>			
Proceeds from disposal – Other (land & building)		766	–
Less: carrying amount of Other (land & building) assets sold/written off		(780)	–
<b>Net gain/(loss) on disposal</b>		<b>(14)</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>59</u></b>	<b><u>51</u></b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		286	–	95	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		4,500	–	3,750	–
– Managed funds		5,878	–	5,727	–
<b>Total cash and cash equivalents</b>		<b>10,664</b>	<b>–</b>	<b>9,572</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		42,500	–	34,500	–
<b>Total investments</b>		<b>42,500</b>	<b>–</b>	<b>34,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>53,164</b>	<b>–</b>	<b>44,072</b>	<b>–</b>

<sup>1</sup> Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:**

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>10,664</b>	<b>–</b>	<b>9,572</b>	<b>–</b>
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**Investments**

b. 'Held to maturity'	6(b-ii)	42,500	–	34,500	–
<b>Investments</b>		<b>42,500</b>	<b>–</b>	<b>34,500</b>	<b>–</b>

**Note 6(b-i)****Reconciliation of investments classified as 'held to maturity'**

Balance at the beginning of the year		34,500	–	21,500	–
Additions		42,500	–	39,000	–
Disposals (sales and redemptions)		(34,500)	–	(26,000)	–
<b>Balance at end of year</b>		<b>42,500</b>	<b>–</b>	<b>34,500</b>	<b>–</b>

**Comprising:**

– Long term deposits		42,500	–	34,500	–
<b>Total</b>		<b>42,500</b>	<b>–</b>	<b>34,500</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	53,164	–	44,072	–
<b>attributable to:</b>				
External restrictions (refer below)	35,191	–	28,372	–
Internal restrictions (refer below)	16,544	–	14,783	–
Unrestricted	1,429	–	917	–
	<b>53,164</b>	<b>–</b>	<b>44,072</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general (D)	21,753	7,385	(1,219)	27,919
RMS (formerly RTA) contributions (E)	161	106	(168)	99
Specific purpose unexpended grants (F)	1,884	3,498	(4,124)	1,258
Domestic waste management (G)	4,102	6,793	(5,668)	5,227
Stormwater management (G)	445	274	(31)	688
Road contribution	27	–	(27)	–
<b>External restrictions – other</b>	<b>28,372</b>	<b>18,056</b>	<b>(11,237)</b>	<b>35,191</b>
<b>Total external restrictions</b>	<b>28,372</b>	<b>18,056</b>	<b>(11,237)</b>	<b>35,191</b>

## Internal restrictions

Plant and vehicle replacement	1,105	100	–	1,205
Employees leave entitlement	1,388	–	(103)	1,285
Carry over works	2,033	1,375	(1,261)	2,147
Deposits, retentions and bonds	6,052	933	–	6,985
Parkscape improvements	29	–	–	29
Risk management	201	11	–	212
Future major expenditure	2,791	766	–	3,557
Technology	720	–	(110)	610
Adshel (bus shelters)	270	–	–	270
Hudson golf course	94	–	–	94
Election	100	50	–	150
<b>Total internal restrictions</b>	<b>14,783</b>	<b>3,235</b>	<b>(1,474)</b>	<b>16,544</b>
<b>TOTAL RESTRICTIONS</b>	<b>43,155</b>	<b>21,291</b>	<b>(12,711)</b>	<b>51,735</b>

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

E RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

G Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		1,268	–	997	–
Interest and extra charges		147	–	163	–
User charges and fees		469	–	998	–
Accrued revenues					
– Interest on investments		692	–	630	–
– Other income accruals		139	–	150	–
Government grants and subsidies		259	–	128	–
Net GST receivable		244	–	139	–
Other debtors		–	–	41	–
<b>Total</b>		<b>3,218</b>	<b>–</b>	<b>3,246</b>	<b>–</b>
<b>Less: provision for impairment</b>					
User charges and fees		(241)	–	(458)	–
<b>Total provision for impairment – receivables</b>		<b>(241)</b>	<b>–</b>	<b>(458)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>2,977</b>	<b>–</b>	<b>2,788</b>	<b>–</b>

There are no restrictions applicable to the above assets.

#### Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		132	–	78	–
<b>Total inventories at cost</b>		<b>132</b>	<b>–</b>	<b>78</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>132</b>	<b>–</b>	<b>78</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		61	–	113	–
<b>TOTAL OTHER ASSETS</b>		<b>61</b>	<b>–</b>	<b>113</b>	<b>–</b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**(i) Other disclosures****(a) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.



## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment											depreciation	impairment	
Capital work in progress	48	–	–	–	48	801	31	–	–	(48)	–	–	832	–	–	–	832
Plant and equipment	–	5,624	3,251	–	2,373	844	–	(417)	(672)	–	–	–	–	5,663	3,535	–	2,128
Office equipment	–	1,827	1,271	–	556	168	–	–	(150)	–	–	–	–	1,995	1,421	–	574
<b>Land:</b>																	
– Operational land	–	33,516	–	–	33,516	–	–	(631)	–	–	–	–	–	32,885	–	–	32,885
– Community land	–	27,762	–	–	27,762	–	–	–	–	–	900	–	28,662	–	–	–	28,662
Land improvements – depreciable	–	1,023	129	–	894	130	109	–	(29)	–	(268)	–	–	947	111	–	836
Park assets	–	5,404	1,919	–	3,485	–	378	–	(739)	–	268	8,001	–	19,081	7,688	–	11,393
<b>Infrastructure:</b>																	
– Buildings – non-specialised	–	6,231	2,763	–	3,468	65	–	–	(116)	–	–	–	–	6,296	2,879	–	3,417
– Buildings – specialised	–	30,436	12,023	–	18,413	503	–	(149)	(527)	–	–	–	–	30,420	12,180	–	18,240
– Roads	–	117,124	34,738	–	82,386	1,393	314	–	(1,711)	48	–	–	–	118,879	36,449	–	82,430
– Bridges	–	1,774	730	–	1,044	120	–	–	(51)	–	–	3,466	–	14,227	9,648	–	4,579
– Footpaths	–	32,919	8,547	–	24,372	616	84	–	(412)	–	–	–	–	33,619	8,959	–	24,660
– Bulk earthworks (non-depreciable)	–	31,065	–	–	31,065	–	–	–	–	–	–	–	–	31,065	–	–	31,065
– Stormwater drainage	–	56,659	19,720	–	36,939	–	–	–	(528)	–	–	–	–	56,659	20,248	–	36,411
<b>Other assets:</b>																	
– Library books	–	1,336	1,027	–	309	–	117	–	(100)	–	–	–	–	1,454	1,128	–	326
– Other	–	922	630	–	292	–	–	–	(46)	–	–	–	–	923	677	–	246
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>48</b>	<b>353,622</b>	<b>86,748</b>	<b>–</b>	<b>266,922</b>	<b>4,640</b>	<b>1,033</b>	<b>(1,197)</b>	<b>(5,081)</b>	<b>–</b>	<b>–</b>	<b>12,367</b>	<b>832</b>	<b>382,775</b>	<b>104,923</b>	<b>–</b>	<b>278,684</b>

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	1,708	1,270	<b>438</b>	–	1,743	1,099	<b>644</b>
Other assets	–	922	677	<b>245</b>	–	927	630	<b>297</b>
<b>Total DWM</b>	–	<b>2,630</b>	<b>1,947</b>	<b>683</b>	–	<b>2,670</b>	<b>1,729</b>	<b>941</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	–	<b>2,630</b>	<b>1,947</b>	<b>683</b>	–	<b>2,670</b>	<b>1,729</b>	<b>941</b>

## Note 9c. Infrastructure, property, plant and equipment – current year impairments

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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,577	–	1,187	–
Goods and services – capital expenditure		470	–	385	–
Payments received in advance		149	–	151	–
Accrued expenses:					
– Salaries and wages		343	–	251	–
Security bonds, deposits and retentions		6,985	–	6,052	–
<b>Total payables</b>		<b>9,524</b>	<b>–</b>	<b>8,026</b>	<b>–</b>
<b>Borrowings</b>					
Nil					
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,250	–	1,211	–
Sick leave		114	–	202	–
Long service leave		1,365	357	1,603	167
ELE on-costs		293	–	286	–
<b>Total provisions</b>		<b>3,022</b>	<b>357</b>	<b>3,302</b>	<b>167</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>12,546</b>	<b>357</b>	<b>11,328</b>	<b>167</b>

**(i) Liabilities relating to restricted assets**

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

**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

	2016	2015
Provisions – employees benefits	1,014	1,000
Payables – security bonds, deposits and retentions	5,235	4,552
	<b>6,249</b>	<b>5,552</b>

## Note 10b. Description of and movements in provisions

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	1,211	872	(833)	–	–	1,250
Sick leave	202	(88)	–	–	–	114
Long service leave	1,770	337	(385)	–	–	1,722
ELE on-costs	286	7	–	–	–	293
<b>TOTAL</b>	<b>3,469</b>	<b>1,128</b>	<b>(1,218)</b>	<b>–</b>	<b>–</b>	<b>3,379</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	10,664	9,572
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>10,664</b>	<b>9,572</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>7,270</b>	<b>10,260</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,081	4,351
Net losses/(gains) on disposal of assets		(59)	(51)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		28	243
Increase/(decrease) in provision for doubtful debts		(217)	(226)
Decrease/(increase) in inventories		(54)	(38)
Decrease/(increase) in other assets		52	37
Increase/(decrease) in payables		390	(398)
Increase/(decrease) in other accrued expenses payable		92	36
Increase/(decrease) in other liabilities		931	534
Increase/(decrease) in employee leave entitlements		(90)	195
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>13,424</b>	<b>14,943</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		34	70
<b>Total financing arrangements</b>		<b>34</b>	<b>70</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		9	6
<b>Total financing arrangements utilised</b>		<b>9</b>	<b>6</b>
<b>(ii) Secured loan liabilities</b>			

Loans are secured by a mortgage over future years rate revenue only.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Nil			
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		99	136
Later than one year and not later than 5 years		140	147
<b>Total non-cancellable operating lease commitments</b>		<b>239</b>	<b>283</b>

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

Computers & Photocopiers

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

**Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

**(d) Investment property commitments**

Nil

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>437</u>	<b>1.29%</b>	1.94%	-5.15%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>33,858</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>30,053</u>	<b>73.96%</b>	70.63%	81.54%
Total continuing operating revenue <sup>(1)</sup>	<u>40,632</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>21,143</u>	<b>3.36x</b>	3.23x	2.79x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>6,297</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>5,518</u>	<b>0.00x</b>	0.00x	0.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>–</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>1,415</u>	<b>5.90%</b>	5.09%	5.51%
Rates, annual and extra charges collectible	<u>23,978</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>53,164</u>	<b>20.99 mths</b>	16.5 mths	12.7 mths
Payments from cash flow of operating and financing activities	<u>2,533</u>			

## Notes

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

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

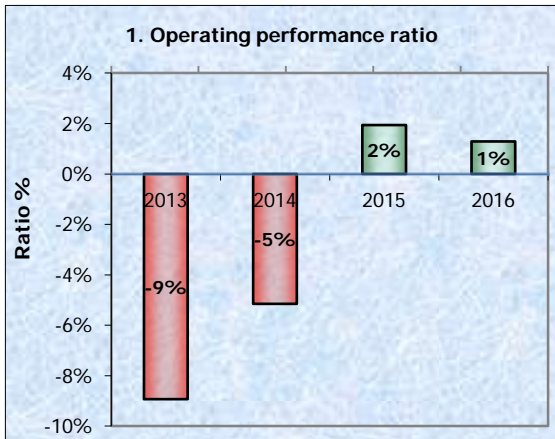
<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

# Strathfield Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of operating performance ratio**

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



**Commentary on 2015/16 result**

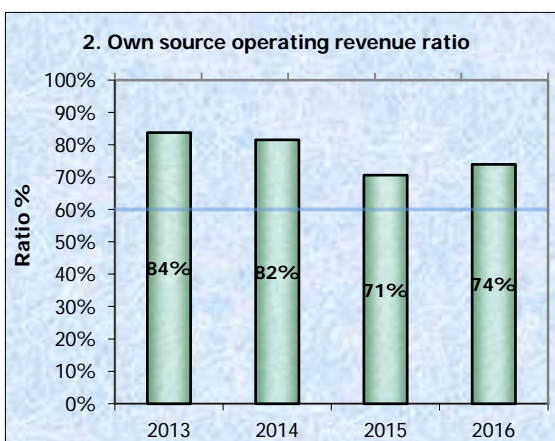
**2015/16 ratio 1.29%**

Council's Operating Performance is positive delivering a small surplus thereby exceeding the minimum bench mark of 0%.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2015/16 result**

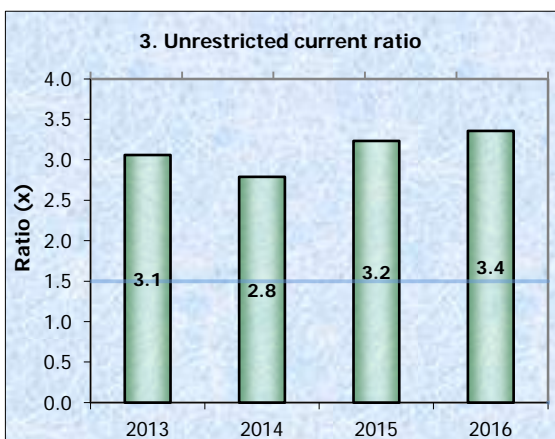
**2015/16 ratio 73.96%**

Council is not fully reliant on grants and contributions.

Benchmark: ——— Minimum  $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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



**Commentary on 2015/16 result**

**2015/16 ratio 3.36x**

Council has continued to maintain a very liquid position.

Benchmark: ——— Minimum  $\geq 1.50$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

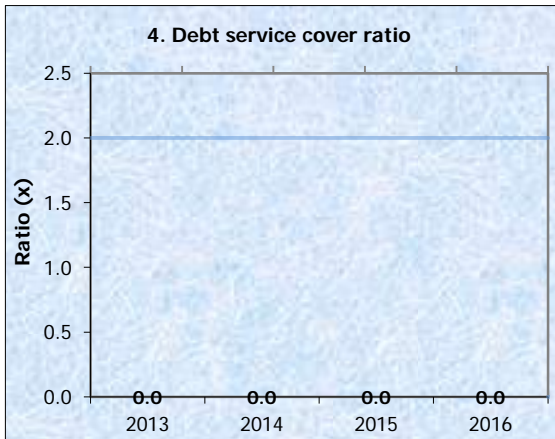
 Ratio achieves benchmark  
 Ratio is outside benchmark



# Strathfield Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2016

### Note 13a(ii). Local government industry indicators – graphs (consolidated)



**Purpose of debt service cover ratio**

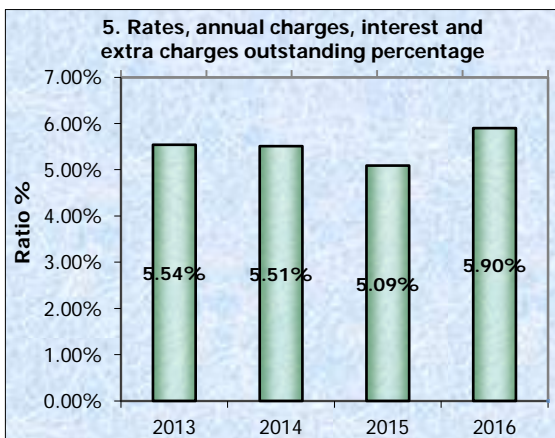
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2015/16 result	
<b>2015/16 ratio</b>	<b>0.00x</b>
Council continues to be debt free.	

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

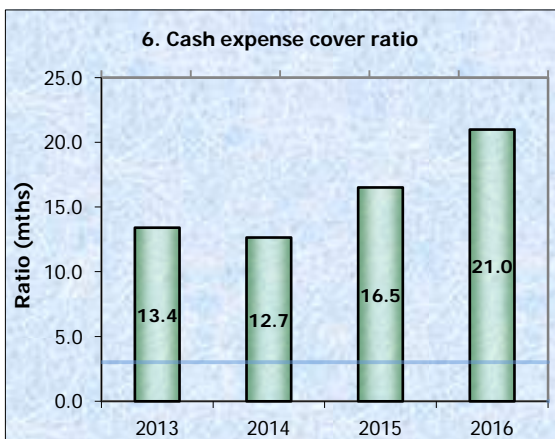
Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

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

Commentary on 2015/16 result	
<b>2015/16 ratio</b>	<b>5.90%</b>
Council's debt collection has remained relatively the same.	



**Purpose of cash expense cover ratio**

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

Commentary on 2015/16 result	
<b>2015/16 ratio</b>	<b>20.99 mths</b>
The level of cash Council has available is more than sufficient to meet its immediate expenses.	

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

#### Note 15. Financial risk management

##### Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	10,664	9,572	10,664	9,572
Investments				
– 'Held to maturity'	42,500	34,500	42,500	34,500
Receivables	2,977	2,788	2,977	2,788
<b>Total financial assets</b>	<b>56,141</b>	<b>46,860</b>	<b>56,141</b>	<b>46,860</b>
<b>Financial liabilities</b>				
Payables	9,375	7,875	9,375	7,875
<b>Total financial liabilities</b>	<b>9,375</b>	<b>7,875</b>	<b>9,375</b>	<b>7,875</b>

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 1% movement in interest rates	133	133	(133)	(133)
<b>2015</b>				
Possible impact of a 1% movement in interest rates	319	319	(319)	(319)

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (b) Credit risk

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

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

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

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

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

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

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

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

A profile of Council's receivables credit risk at balance date follows:

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		6%	23%	0%	69%
Overdue		94%	77%	100%	31%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>	<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	Current	–	1,629	–	1,280
< 1 year overdue	0 – 30 days overdue	1,268	–	997	–
1 – 2 years overdue	30 – 60 days overdue	–	63	–	517
2 – 5 years overdue	60 – 90 days overdue	–	26	–	7
> 5 years overdue	> 90 days overdue	–	232	–	445
		<b>1,268</b>	<b>1,950</b>	<b>997</b>	<b>2,249</b>
<b>(iii) Movement in provision for impairment of receivables</b>				<b>2016</b>	<b>2015</b>
Balance at the beginning of the year				458	684
+ new provisions recognised during the year				41	169
– amounts already provided for and written off this year				(258)	(395)
<b>Balance at the end of the year</b>				<b>241</b>	<b>458</b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	6,985	2,390	–	–	–	–	–	9,375	9,375
<b>Total financial liabilities</b>	<b>6,985</b>	<b>2,390</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,375</b>	<b>9,375</b>
<b>2015</b>									
Trade/other payables	6,052	1,823	–	–	–	–	–	7,875	7,875
<b>Total financial liabilities</b>	<b>6,052</b>	<b>1,823</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>7,875</b>	<b>7,875</b>

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	9,375	0.00%	7,875	0.00%
	<u>9,375</u>		<u>7,875</u>	

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>22,105</b>	<b>22,763</b>	<b>658</b>	3%	<b>F</b>
<b>User charges and fees</b>	<b>5,324</b>	<b>4,387</b>	<b>(937)</b>	(18%)	<b>U</b>
Lower than anticipated income from Parks and Recreational activities and Hudson Park Golf \$386,823 and Reinstatement works \$543,908					
<b>Interest and investment revenue</b>	<b>1,132</b>	<b>1,497</b>	<b>365</b>	32%	<b>F</b>
Higher than anticipated interest earnings due to additional developer contributions					
<b>Other revenues</b>	<b>1,254</b>	<b>1,406</b>	<b>152</b>	12%	<b>F</b>
Additional income received relating to carbon tax rebate associated with tipping fees					
<b>Operating grants and contributions</b>	<b>1,471</b>	<b>3,805</b>	<b>2,334</b>	159%	<b>F</b>
Parks and Recreational and RMS grants and contributions received					
<b>Capital grants and contributions</b>	<b>4,528</b>	<b>6,774</b>	<b>2,246</b>	50%	<b>F</b>
Additional Developer Contributions received for section 94 works					
<b>Net gains from disposal of assets</b>	<b>131</b>	<b>59</b>	<b>(72)</b>	(55%)	<b>U</b>
Due to additional funds received from the sale of assets					

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>14,326</b>	<b>12,480</b>	<b>1,846</b>	13% <b>F</b>
Employees costs were below budget due to both a reduction in full time equivalent staff and also capitalisation of wages and salaries.				
<b>Materials and contracts</b>	<b>6,761</b>	<b>8,125</b>	<b>(1,364)</b>	(20%) <b>U</b>
Contract Relief Staff \$1,360,148 (offset in employee costs)				
<b>Depreciation and amortisation</b>	<b>4,759</b>	<b>5,081</b>	<b>(322)</b>	(7%) <b>U</b>
<b>Other expenses</b>	<b>8,384</b>	<b>7,735</b>	<b>649</b>	8% <b>F</b>

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

<b>Cash flows from operating activities</b>	<b>6,137</b>	<b>13,424</b>	<b>7,287</b>	118.7% <b>F</b>
Due to greater than anticipated grants and contributions and section 94 developer contributions				
<b>Cash flows from investing activities</b>	<b>(14,386)</b>	<b>(12,333)</b>	<b>2,054</b>	(14.3%) <b>F</b>
Due to the movement in investment activities				

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	398	–	–	10	–	–	408	–
Community facilities	1,063	799	–	28	(68)	–	1,822	–
Roads and traffic facilities	11,162	462	–	298	(886)	–	11,036	–
Major open space	5,867	3,581	–	156	–	–	9,604	–
Local open space	1,018	1,403	–	28	(221)	–	2,228	–
Administration	240	151	–	6	(44)	–	353	–
<b>S94 contributions – under a plan</b>	<b>19,748</b>	<b>6,396</b>	<b>–</b>	<b>526</b>	<b>(1,219)</b>	<b>–</b>	<b>25,451</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>1,172</b>	<b>410</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>–</b>	<b>1,614</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>20,920</b>	<b>6,806</b>	<b>–</b>	<b>558</b>	<b>(1,219)</b>	<b>–</b>	<b>27,065</b>	<b>–</b>
S94 not under plans	833	–	–	22	–	–	855	–
<b>Total contributions</b>	<b>21,753</b>	<b>6,806</b>	<b>–</b>	<b>579</b>	<b>(1,219)</b>	<b>–</b>	<b>27,919</b>	<b>–</b>



## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN 2010 - DIRECT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Administration	240	151	–	6	(44)	–	353	–
Community facilities	1,063	799	–	28	(68)	–	1,822	–
Roads and traffic facilities	10,366	462	–	276	(886)	–	10,218	–
Major open space	5,858	3,581	–	156	–	–	9,595	–
Local open space	1,018	1,403	–	28	(221)	–	2,228	–
<b>Total</b>	<b>18,545</b>	<b>6,396</b>	<b>–</b>	<b>494</b>	<b>(1,219)</b>	<b>–</b>	<b>24,216</b>	<b>–</b>

## CONTRIBUTION PLAN 1993

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	398	–	–	10	–	–	408	–
Roads and traffic facilities	796	–	–	22	–	–	818	–
Major open space	9	–	–	–	–	–	9	–
<b>Total</b>	<b>1,203</b>	<b>–</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>–</b>	<b>1,235</b>	<b>–</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94A LEVIES – UNDER A PLAN

## INDIRECT DEVELOPMENT CONTRIBUTIONS PLAN - 2010

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
General levy	1,172	410	–	32	–	–	1,614	–
<b>Total</b>	<b>1,172</b>	<b>410</b>	<b>–</b>	<b>32</b>	<b>–</b>	<b>–</b>	<b>1,614</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	833	–	–	22	–	–	855	–
<b>Total</b>	<b>833</b>	<b>–</b>	<b>–</b>	<b>22</b>	<b>–</b>	<b>–</b>	<b>855</b>	<b>–</b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit 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 schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes 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 AASB 119.

Future contributions made to the defined benefit 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.

###### (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 30/6 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

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

###### (iv) Other guarantees

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

##### LIABILITIES NOT RECOGNISED (continued):

##### 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) S94 plans

Council levies section 94/94A contributions upon various development 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.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

##### (iii) Potential land acquisitions due to planning restrictions imposed by Council (continued)

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

##### ASSETS NOT RECOGNISED:

##### (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.

#### Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		170,416	160,156
a. Net operating result for the year		7,270	10,260
b. Transfers between equity		(305)	–
<b>Balance at end of the reporting period</b>		<b>177,381</b>	<b>170,416</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		144,734	132,062
<b>Total</b>		<b>144,734</b>	<b>132,062</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		132,062	125,016
– Revaluations for the year	9(a)	12,367	7,046
– Transfer to retained earnings for asset disposals		305	–
– <b>Balance at end of year</b>		<b>144,734</b>	<b>132,062</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>144,734</b>	<b>132,062</b>

#### **(iii) Nature and purpose of reserves**

##### **Infrastructure, property, plant and equipment revaluation reserve**

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

#### **(c) Correction of error/s relating to a previous reporting period**

Council made no correction of errors during the current reporting period.

#### **(d) Voluntary changes in accounting policies**

Council made no voluntary changes in any accounting policies during the year.

#### Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 22. 'Held for sale' non-current assets and disposal groups

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 05/12/16.

Events that occur after the reporting period represent one of two types:

##### **(i) Events that provide evidence of conditions that existed at the reporting period**

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

##### **(ii) Events that provide evidence of conditions that arose after the reporting period**

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

#### Note 24. Discontinued operations

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Council has not classified any of its operations as 'discontinued'.

#### Note 25. Intangible assets

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Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

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Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13	–	–	2,128	2,128
Office Equipment	30/06/13	–	–	574	574
Operational Land	30/06/13	–	–	32,885	32,885
Community Land	30/06/16	–	–	28,662	28,662
Land Improvements depreciable	30/06/16	–	–	836	836
Park Assets	30/06/16	–	–	11,393	11,393
Buildings Non Specialised	30/06/13	–	–	3,417	3,417
Buildings Specialised	30/06/13	–	–	18,240	18,240
Roads	30/06/15	–	–	82,430	82,430
Bridges	30/06/15	–	–	4,579	4,579
Footpaths	30/06/15	–	–	24,660	24,660
Bulk Earthworks (non depreciable)	30/06/15	–	–	31,065	31,065
Stormwater Drainage	30/06/15	–	–	36,411	36,411
Library Books	30/06/16	–	–	326	326
Other	30/06/16	–	–	246	246
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>277,851</b>	<b>277,851</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13	—	—	2,373	2,373
Office Equipment	30/06/13	—	—	556	556
Operational Land	30/06/13	—	—	33,516	33,516
Community Land	30/06/11	—	—	27,762	27,762
Land Improvements depreciable	30/06/11	—	—	894	894
Park Assets	30/06/11	—	—	3,485	3,485
Buildings Non Specialised	30/06/13	—	—	18,413	18,413
Buildings Specialised	30/06/13	—	—	3,468	3,468
Roads	30/06/15	—	—	82,386	82,386
Bridges	30/06/15	—	—	1,044	1,044
Footpaths	30/06/15	—	—	24,372	24,372
Bulk Earthworks (non depreciable)	30/06/15	—	—	31,065	31,065
Stormwater Drainage	30/06/15	—	—	36,939	36,939
Library Books	30/06/11	—	—	309	309
Other	30/06/11	—	—	292	292
<b>Total infrastructure, property, plant and equipment</b>		<b>—</b>	<b>—</b>	<b>266,874</b>	<b>266,874</b>

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

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



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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

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

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

##### **Plant & Equipment, Office Equipment and Furniture & Fittings**

The purchase cost of Plant & Equipment, Office Equipment and Furniture & Fittings are taken as their fair value. There has been no change to the valuation techniques during the reporting period.

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##### **Operational Land**

The valuation of Council's operational land was undertaken at 30 June 2013 by an external valuation.

Operational land has been valued at market value, having regard to the "highest and best use", after identifying all elements that would be taken into account by buyers and sellers in settling the price.

Since extensive professional judgements were required to determine the inputs these assets were classified as having been valued using Level 3 valuation inputs. There has been no change to the valuation techniques during the reporting period.

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##### **Community Land**

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General. Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. The valuation of community land was undertaken as at 30 June 2016.

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##### **Land Under Roads**

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

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##### **Land Improvement - Depreciable**

This asset class comprises land improvements such as gardens, streetscaping and landscaping. These assets are located on parks and reserves. Valuations were performed by external valuers based of the information Supplied and professional judgement. There has been no change to the valuation process during the reporting period.

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##### **Park Assets**

Assets within this class have been valued by an external valuer at fair value comprising of Regional Sporting and Recreational Facilities and Playgrounds, Park Furniture and Fittings, Tennis Courts and Shelters. Recreational and Park Infrastructure (picnic tables, seats, bollards, fences, BBQ's, etc). Extensive professional

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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judgement has been required to determine the final fair value of assets. Valuation of Council's Park Assets was undertaken as at 30 June 2016 by external valuer.

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##### **Buildings – Non Specialised and Specialised**

Council's buildings were valued utilising the cost approach by an external valuer in June 2013. The approach estimated the replacement cost of each building and componentising of significant parts with different useful lives and taking into account a range of factors. The unit rates could be supported by market evidence and other inputs (such as estimates of residual value, useful life and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such, these assets have been valued using Level 3 inputs. There has been no change to the valuation techniques during the reporting period.

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##### **Roads**

This asset class comprises the Road Carriageway, Suburb Markers and Traffic facilities. The road carriageway is defined as the trafficable portion of a road, between but not including the kerb and gutter. The 'Cost Approach' using Level 3 inputs was used to value the road carriageway and other road infrastructure. Valuations for the road carriageway, comprising surface, pavement and formation were based on calculations undertaken by our external valuation process as at June 2015.

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##### **Bridges**

Bridges were externally valued using the cost approach. The approach estimated the replacement cost for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the Bridge Deck/Superstructure, Bridge Abutments/Foundations and Bridge rails/handrails. Valuation of the Bridges was undertaken as at 30 June 2016.

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##### **Footpaths and Kerb & Gutter**

Footpaths and Kerb & Gutter were segmented to match the adjacent road segment where possible and no further componentisation was undertaken. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on a physical inspection. Condition information is updated as changes in the network are observed through regular inspections. Valuation of the Footpaths and Kerb & Gutter was undertaken as at June 2015.

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##### **Bulk Earthworks**

The 'Cost Approach' estimated the replacement cost for each asset, while the unit rates are support by the market rates. Valuation of the Earthworks was undertaken as at June 2015.

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##### **Stormwater Drainage**

Assets within this class comprise pits, pipes, open channels, headwalls and various types of water quality devices. The 'Cost Approach' estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on linear metres of certain diameter pipes and prices per pit or similar could be supported through

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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extensive professional judgement and market evidence. Valuation of the stormwater drainage was undertaken as at June 2015.

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##### **Library Books**

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amounts of these assets are assumed to approximate fair value due to the nature of the items. There has been no change to the valuation process during the reporting period.

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##### **Other Assets**

The cost approach is used to value other assets which relate to miscellaneous assets of lower value. Council views these assets against quoted prices for the gross current replacement cost of similar assets and taking account of the pattern of consumption, estimated remaining useful life and residual value. There has been no change to the valuation process during the reporting period.

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## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)****a. The following tables present the changes in level 3 fair value asset classes.**

	Plant and equipment	Operational land	Community land	Land Impr'mts (depreciable)	<b>Total</b>
<b>Opening balance – 1/7/14</b>	2,922	33,516	27,762	895	65,095
Purchases (GBV)	1,070	–	–	–	1,070
Disposals (WDV)	(277)	–	–	–	(277)
Depreciation and impairment	(786)	–	–	–	(786)
<b>Closing balance – 30/6/15</b>	<b>2,929</b>	<b>33,516</b>	<b>27,762</b>	<b>895</b>	<b>65,102</b>
Purchases (GBV)	1,011	–	–	239	1,250
Disposals (WDV)	(416)	(631)	–	(48)	(1,095)
Depreciation and impairment	(822)	–	–	–	(822)
Other movement - Revaluation	–	–	900	(250)	650
<b>Closing balance – 30/6/16</b>	<b>2,702</b>	<b>32,885</b>	<b>28,662</b>	<b>836</b>	<b>65,085</b>
	Buildings	Roads	Bridges	Footpaths	<b>Total</b>
<b>Opening balance – 1/7/14</b>	22,181	63,225	450	16,817	102,673
Purchases (GBV)	375	791	–	537	1,703
Disposals (WDV)	(46)	–	(15)	(405)	(466)
Depreciation and impairment	(629)	(1,696)	–	–	(2,325)
Other movement	–	20,066	609	7,423	28,098
<b>Closing balance – 30/6/15</b>	<b>21,881</b>	<b>82,386</b>	<b>1,044</b>	<b>24,372</b>	<b>129,683</b>
Purchases (GBV)	568	1,755	120	700	3,143
Disposals (WDV)	(149)	–	–	–	(149)
Depreciation and impairment	(643)	(1,711)	(51)	(412)	(2,817)
Other movement - Revaluation	–	–	3,466	–	3,466
<b>Closing balance – 30/6/16</b>	<b>21,657</b>	<b>82,430</b>	<b>4,579</b>	<b>24,660</b>	<b>133,326</b>

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

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

##### a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bulk earthwork (Non Dep)	Storm water drainage	Library books	Park assets and other	<b>Total</b>
<b>Opening balance – 1/7/14</b>	68,716	20,777	240	3,784	93,517
Transfers from/(to) another asset class	–	–	–	(11)	(11)
Purchases (GBV)	–	528	140	211	879
Disposals (WDV)	–	–	(71)	(207)	(278)
Other movement	(37,651)	15,634	–	–	(22,017)
<b>Closing balance – 30/6/15</b>	<b>31,065</b>	<b>36,939</b>	<b>309</b>	<b>3,777</b>	<b>72,090</b>
Purchases (GBV)	–	–	117	377	494
Depreciation and impairment	–	(528)	(100)	(767)	(1,395)
Other movement	–	–	–	8,251	8,251
<b>Closing balance – 30/6/16</b>	<b>31,065</b>	<b>36,411</b>	<b>326</b>	<b>11,638</b>	<b>79,440</b>

#### (5). Highest and best use

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



**STRATHFIELD MUNICIPAL COUNCIL**

**GENERAL PURPOSE FINANCIAL STATEMENTS**

**INDEPENDENT AUDITORS' REPORT**

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**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of Strathfield Municipal Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Accordingly, no opinion is expressed on these matters.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

**Assurance Partners**

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independence**

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

**Auditor's Opinion**

In our opinion,

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of during the course of the audit.

**HILL ROGERS**



**BRETT HANGER**  
Partner

Dated at Sydney this 5th day of December 2016



5 December 2016

The Mayor  
Strathfield Municipal Council  
65 Homebush Rd  
STRATHFIELD NSW 2135

Mayor,

## **Audit Report - Year Ended 30 June 2016**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

### **1. RESULTS FOR THE YEAR**

#### **1.1 *Operating Result***

The operating result for the year was a surplus of \$7.270 million as compared with \$10.260 million in the previous year.

### **Assurance Partners**



The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	<b>2016</b>	<b>% of Total</b>	<b>2015</b>	<b>% of Total</b>	<b>Increase (Decrease)</b>
	\$000		\$000		\$000
<b>Revenues before capital items</b>					
Rates & annual charges	22,763	67%	21,519	65%	1,244
User charges, fees & other revenues	5,852	17%	7,202	22%	(1,350)
Grants & contributions provided for operating purposes	3,805	11%	2,956	9%	849
Interest & investment revenue	1,497	4%	1,444	4%	53
	<b>33,917</b>	<b>100%</b>	<b>33,121</b>	<b>100%</b>	<b>796</b>
<b>Expenses</b>					
Employee benefits & costs	12,480	37%	12,363	38%	117
Materials, contracts & other expenses	15,860	47%	15,713	48%	147
Depreciation, amortisation & impairment	5,081	15%	4,351	13%	730
Borrowing costs	-	0%	-	0%	-
	<b>33,421</b>	<b>100%</b>	<b>32,427</b>	<b>100%</b>	<b>994</b>
<b>Surplus (Deficit) before capital items</b>	<b>496</b>		<b>694</b>		<b>(198)</b>
Grants & contributions provided for capital purposes	6,774		9,566		(2,792)
<b>Net Surplus (Deficit) for the year</b>	<b>7,270</b>		<b>10,260</b>		<b>(2,990)</b>
<b>Performance Measures</b>					
	<b>2016</b>		<b>2015</b>		
Operating Performance	1.29%		1.94%		
Own Source Operating Revenue	73.96%		70.63%		

The above table shows an overall decrease of \$2.990 million from the previous year and is primarily due to decreased revenue from grants, contributions, and restoration charges.

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 1.29% and exceeded the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 73.96% and exceeded the benchmark of 60%.

## 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

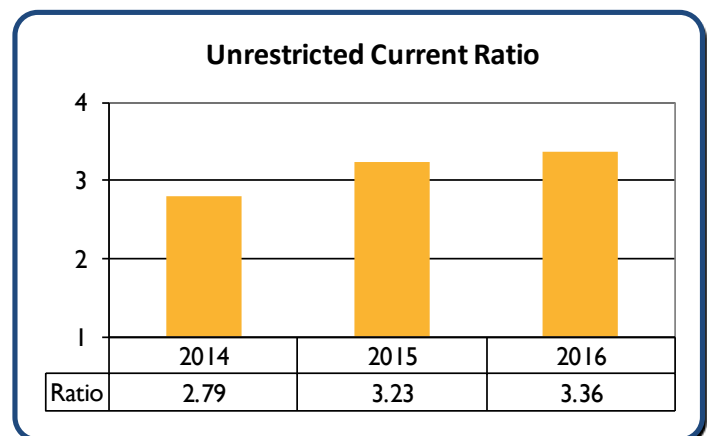
	2016	2015
<b>Funds were provided by:-</b>	\$000	\$000
<b>Operating Result (as above)</b>	<b>7,270</b>	<b>10,260</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	5,081	4,351
- Book value of non-current assets sold	1,197	322
	13,548	14,933
Net Changes in current/non-current assets & liabilities	843	749
	14,391	15,682
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(5,673)	(3,174)
Transfers to externally restricted assets (net)	(6,819)	(9,816)
Transfers to internal reserves (net)	(1,761)	(2,140)
	(14,253)	(15,130)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>138</b>	<b>552</b>

## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$14.846 million representing a factor of 3.36 to 1.



## 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.060 million as detailed below;

	2016	2015	Change
	\$000	\$000	\$000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>43,788</b>	<b>35,723</b>	8,065
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	6,249	5,552	697
Adjusted Net Current Assets	50,037	41,275	8,762
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	2,008	2,302	(294)
- Deposits & retention moneys	1,750	1,500	250
<b>Less:</b> Externally restricted assets	(35,191)	(28,372)	(6,819)
<b>Less:</b> Internally restricted assets	(16,544)	(14,783)	(1,761)
<b>Available Working Capital as at 30 June</b>	<b>2,060</b>	<b>1,922</b>	<b>138</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Taking into consideration the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities, Council's Available Working Capital at year end was sound.

## 2.3 Debt

Council has been debt free since 2011.

## 2.4 Summary

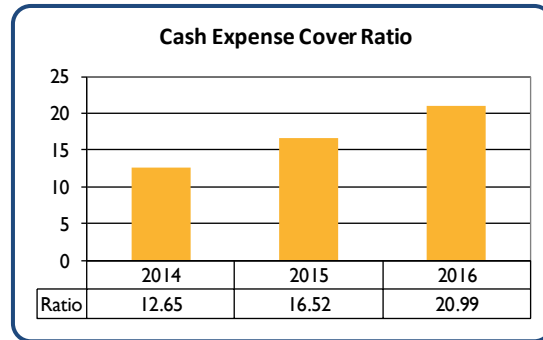
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory.

### 3. CASH ASSETS

#### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

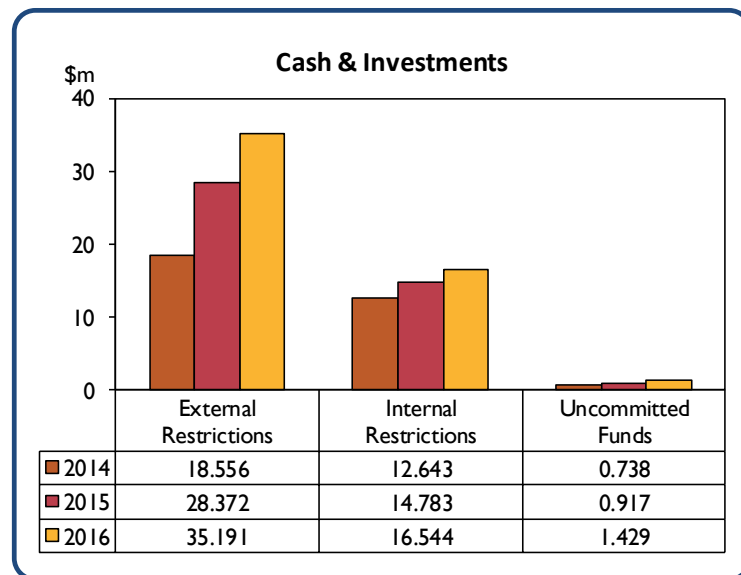
For 2016, this ratio stood at 20.99 months compared to the benchmark of 3.



#### 3.2 Cash & Investment Securities

Cash and investments amounted \$53.164 million at 30 June 2016 as compared with \$44.072 million in 2015 and \$31.937 million in 2014.

The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended development contributions under Section 94 (\$27.919 million), domestic waste and stormwater management charges (\$5.915 million) and specific purpose grants and contributions (\$1.357 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's **"Reserves"**. These Reserves totalled \$16.544 million and their purposes are more fully disclosed in Note 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$1.429 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$1.092 million to \$10.664 million at the close of the year. In addition to operating activities which contributed net cash of \$13.424 million were the proceeds from the sale of investment securities (\$34.5 million) and sale of assets (\$1.256 million). Cash outflows other than operating activities were used to purchase investment securities (\$42.5 million) and to purchase and construct assets (\$5.588 million).

## 4. RECEIVABLES

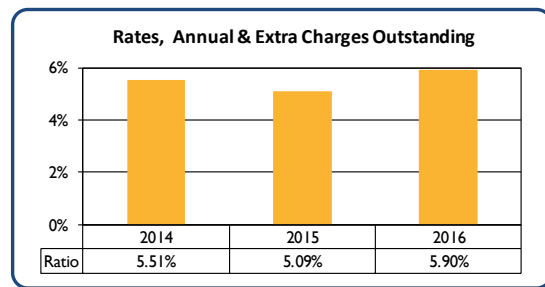
### 4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$22.763 million and represented 56% of Council’s total revenues.

Including arrears, the total rates and annual charges collectible was \$23.760 million of which \$22.492 million (95%) was collected.

### 4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.415 million at the end of the year and represented 5.9% of those receivables.



### 4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$1.803 million. These included user charges and fees of \$469,000, accrued revenues of \$831,000, and amounts due from other levels of government of \$503,000. Receivables considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$241,000.

## 5. PAYABLES

### 5.1 Employees Leave Entitlements

Council’s provision for its liability toward employees leave entitlements and associated on costs amounted to \$3.379 million. A cash reserve of \$1.285 million was held at year end representing 38% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

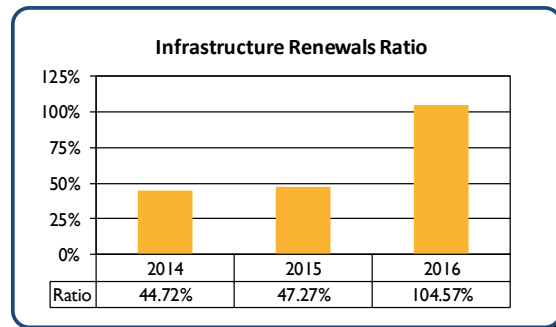
**5.2 Deposits, Retentions & Bonds**

Deposits, retentions and bonds held at year end amounted to \$6.985 million and were fully funded by internally restricted cash and investments.

**6. INFRASTRUCTURE RENEWALS**

The Infrastructure Renewals Ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2016 represented 105% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



**7. REVALUATION OF ASSETS**

Council’s infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, community land, park assets, and bridges were revalued. This resulted in a net increase of \$12.367 million that was credited directly to Equity. Notes 1(j) and 9 of the financial statements provide further details.

**8. MANAGEMENT LETTER**

An audit management letter addressing the findings from our interim audit was issued on 6 June 2016 which included our suggestions on possible ways to strengthen and/or improve procedures. A response was received on 8 June 2016 with management’s comments and proposed actions.

**9. CONCLUSION**

We wish to record our appreciation to the Acting General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,  
**HILL ROGERS**

*B. Hanger*  
**BRETT HANGER**  
 Partner

# Strathfield Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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# Strathfield Municipal Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

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Statement of Financial Position – Water Supply Business Activity	n/a
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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-



## Strathfield Municipal Council

### Special Purpose Financial Statements for the year ended 30 June 2016

### Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

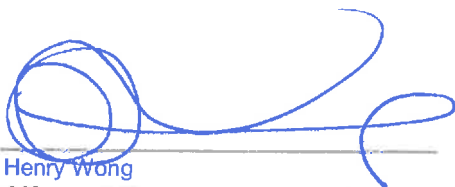
Signed in accordance with a resolution of Council made on 06 September 2016.



Sang Ok  
Mayor



Andrew Soflos  
Councillor



Henry Wong  
A/General Manager



Les O'Donnell  
Responsible Accounting Officer

## Strathfield Municipal Council

### Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Hudson Park Golf  
Course

Category 2

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	953	1,065
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	–	–
Other income	81	29
<b>Total income from continuing operations</b>	<b>1,034</b>	<b>1,094</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	583	738
Borrowing costs	–	–
Materials and contracts	247	384
Depreciation and impairment	71	77
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Bad and doubtful debts	–	395
Other expenses	12	110
<b>Total expenses from continuing operations</b>	<b>913</b>	<b>1,704</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>121</b>	<b>(610)</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>121</b>	<b>(610)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>121</b>	<b>(610)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(36)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>85</b>	<b>(610)</b>
<b>Plus opening retained profits</b>	<b>2,425</b>	<b>3,035</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	36	–
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>2,546</b>	<b>2,425</b>
<b>Return on capital %</b>	<b>4.7%</b>	<b>-23.0%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>690</b>

## Strathfield Municipal Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Hudson Park Golf Course

Category 2

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	133	–
Investments	–	–
Receivables	1	1
Inventories	23	19
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>157</b>	<b>20</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	2,587	2,648
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
<b>Total non-current assets</b>	<b>2,587</b>	<b>2,648</b>
<b>TOTAL ASSETS</b>	<b>2,744</b>	<b>2,668</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	80
Payables	42	28
Borrowings	–	–
Provisions	156	135
<b>Total current liabilities</b>	<b>198</b>	<b>243</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>198</b>	<b>243</b>
<b>NET ASSETS</b>	<b>2,546</b>	<b>2,425</b>
<b>EQUITY</b>		
Retained earnings	2,546	2,425
Revaluation reserves	–	–
Council equity interest	2,546	2,425
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>2,546</b>	<b>2,425</b>

## Strathfield Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6
2	Water Supply Business Best-Practice Management disclosure requirements	n/a
3	Sewerage Business Best-Practice Management disclosure requirements	n/a

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, 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 SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *Application of National Competition Policy to Local Government*.

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

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

##### a. Hudson Park Golf Course

*An 18 hole public golf course*

#### Monetary amounts

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

#### (i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

to all Council-nominated business activities (this does not include Council's non-business activities):

#### Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of **2.0%** applies.

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

#### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The 30% rate applied 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 and charges

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

#### Loan and debt guarantee fees

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

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

#### (ii) Subsidies

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

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

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

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

#### (iii) Return on investments (rate of return)

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

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

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies (continued)

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The rate of return on capital is calculated as follows:

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

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

#### **(iv) Dividends**

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



## STRATHFIELD MUNICIPAL COUNCIL

### SPECIAL PURPOSE FINANCIAL STATEMENTS

#### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying special purpose financial statements of Strathfield Municipal Council, which comprises the Statement of Financial Position as at 30 June 2016, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

#### *Responsibility of Council for the Financial Statements*

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Assurance Partners



***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Auditor's Opinion***

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

***Basis of Accounting***

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

**HILL ROGERS**



**BRETT HANGER**

Partner

Dated at Sydney this 5th day of December 2016

# Strathfield Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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# Strathfield Municipal Council

## Special Schedules

for the year ended 30 June 2016

### Contents

Page

#### Special Schedules<sup>1</sup>

<b>Special Schedule 1</b>	Net Cost of Services	2
<b>Special Schedule 7</b>	Report on Infrastructure Assets	4
<b>Special Schedule 8</b>	Permissible Income Calculation	8

<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

---

#### Background

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

## Strathfield Municipal Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>553</b>	<b>–</b>	<b>–</b>	<b>(553)</b>
<b>Administration</b>	<b>6,490</b>	<b>2,077</b>	<b>–</b>	<b>(4,413)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	600	–	–	(600)
Beach control	–	–	–	–
Enforcement of local government regulations	732	642	–	(90)
Animal control	33	15	–	(18)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,365</b>	<b>657</b>	<b>–</b>	<b>(708)</b>
<b>Health</b>	<b>517</b>	<b>393</b>	<b>–</b>	<b>(124)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	36	32	–	(4)
Other environmental protection	66	143	–	77
Solid waste management	6,045	7,067	–	1,022
Street cleaning	535	–	–	(535)
Drainage	93	–	–	(93)
Stormwater management	–	274	–	274
<b>Total environment</b>	<b>6,775</b>	<b>7,516</b>	<b>–</b>	<b>741</b>
<b>Community services and education</b>				
Administration and education	698	88	–	(610)
Social protection (welfare)	6	1	–	(5)
Aged persons and disabled	215	204	–	(11)
Children's services	166	201	–	35
<b>Total community services and education</b>	<b>1,085</b>	<b>494</b>	<b>–</b>	<b>(591)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	633	130	–	(503)
Town planning	564	23	–	(541)
Other community amenities	121	88	–	(33)
<b>Total housing and community amenities</b>	<b>1,318</b>	<b>241</b>	<b>–</b>	<b>(1,077)</b>

## Strathfield Municipal Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,553	110	36	(1,407)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	174	205	799	830
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	1,002	305	–	(697)
Swimming pools	–	–	–	–
Parks and gardens (lakes)	2,841	8	5,012	2,179
Other sport and recreation	2,720	1,089	927	(704)
<b>Total recreation and culture</b>	<b>8,290</b>	<b>1,717</b>	<b>6,774</b>	<b>201</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	863	908	–	45
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>863</b>	<b>908</b>	<b>–</b>	<b>45</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	5,586	803	–	(4,783)
Urban roads – regional	58	170	–	112
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	110	–	110
Footpaths	381	41	–	(340)
Aerodromes	–	–	–	–
Other transport and communication	63	633	–	570
<b>Total transport and communication</b>	<b>6,088</b>	<b>1,757</b>	<b>–</b>	<b>(4,331)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	77	–	–	(77)
<b>Total economic affairs</b>	<b>77</b>	<b>–</b>	<b>–</b>	<b>(77)</b>
<b>Totals – functions</b>	<b>33,421</b>	<b>15,760</b>	<b>6,774</b>	<b>(10,887)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>18,157</b>		<b>18,157</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>33,421</b>	<b>33,917</b>	<b>6,774</b>	<b>7,270</b>

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

## Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/ Administration Centres	162	162	220	198	6,398	10,255	40%	44%	13%	3%	0%
	Council Works Depot	34	34	45	24	1,345	2,169	10%	30%	57%	3%	0%
	Council Public Halls	298	298	55	61	1,420	2,598	64%		6%	30%	0%
	Libraries	12	12	165	61	6,029	7,657	100%				0%
	Cultural Facilities(Amenities)	91	91	180	11	4,422	8,381	18%	36%	42%	4%	0%
	Community Centre	54	54	95	67	1,824	4,523	27%	37%	28%	8%	0%
	Council House	223	223	25	12	219	1,133	12%	8%	40%	40%	0%
	Other	–	–	–	226	1	–					
<b>Sub-total</b>	<b>874</b>	<b>874</b>	<b>785</b>	<b>660</b>	<b>21,657</b>	<b>36,716</b>	<b>45.0%</b>	<b>27.1%</b>	<b>21.7%</b>	<b>6.3%</b>	<b>0.0%</b>	
Roads	Sealed roads	545	545	370	972	49,920	75,270	2%	17%	63%	17%	1%
	Bridges	584	584	140	20	4,579	14,227	25%	25%	15%	5%	30%
	Footpaths	64	64	650	348	24,661	33,619	2%	9%	86%	2%	1%
	Other road assets	–	–	170	75	8,089	11,071	10%	18%	72%	0%	0%
	Bulk earthworks	–	–	–	–	31,065	31,065	100%				0%
	Kerb & Gutter	240	240	165	20	24,420	32,538	0%	18%	80%	2%	0%
	<b>Sub-total</b>	<b>1,432</b>	<b>1,432</b>	<b>1,495</b>	<b>1,434</b>	<b>142,734</b>	<b>197,790</b>	<b>19.2%</b>	<b>13.8%</b>	<b>56.9%</b>	<b>7.5%</b>	<b>2.7%</b>

## Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Conduits	654	654	410	300	31,941	51,280	0%	5%	89%	5%	1%
	Stormwater Inlet & Junction Pits	–	–	45	40	4,470	5,379	33%	32%	35%	0%	0%
	<b>Sub-total</b>	<b>654</b>	<b>654</b>	<b>455</b>	<b>340</b>	<b>36,411</b>	<b>56,659</b>	<b>3.1%</b>	<b>7.6%</b>	<b>83.9%</b>	<b>4.5%</b>	<b>0.9%</b>
Open space/recreational assets	Open spaces/Recreational Assets	426	426	585	1,462	11,393	19,081	1%	31%	62%	5%	1%
	<b>Sub-total</b>	<b>426</b>	<b>426</b>	<b>585</b>	<b>1,462</b>	<b>11,393</b>	<b>19,081</b>	<b>1.0%</b>	<b>31.0%</b>	<b>62.0%</b>	<b>5.0%</b>	<b>1.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>3,385</b>	<b>3,385</b>	<b>3,320</b>	<b>3,896</b>	<b>212,195</b>	<b>310,246</b>	<b>18.2%</b>	<b>15.3%</b>	<b>57.9%</b>	<b>6.7%</b>	<b>2.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Strathfield Municipal Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>3,498</u>	<b>104.57%</b>	47.27%	44.72%
Depreciation, amortisation and impairment	<u>3,345</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>3,385</u>	<b>1.86%</b>	3.17%	2.80%
Carrying value of infrastructure assets	<u>181,966</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>3,896</u>	<b>1.17</b>	0.40	0.69
Required asset maintenance	<u>3,320</u>			
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council	<u>3,385</u>	<b>1.09%</b>	1.00%	0.87%
Gross replacement cost	<u>310,246</u>			
<b>5. Capital expenditure ratio</b>				
Annual capital expenditure	<u>4,476</u>	<b>0.88</b>	0.66	1.12
Annual depreciation	<u>5,081</u>			

## Notes

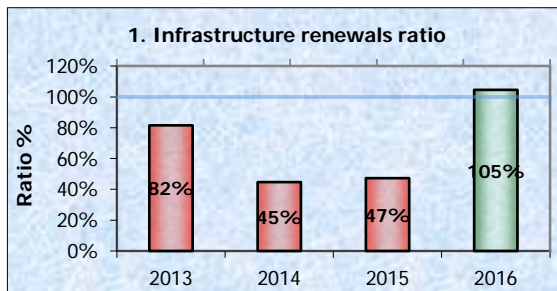
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

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



# Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



### Purpose of asset renewals ratio

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

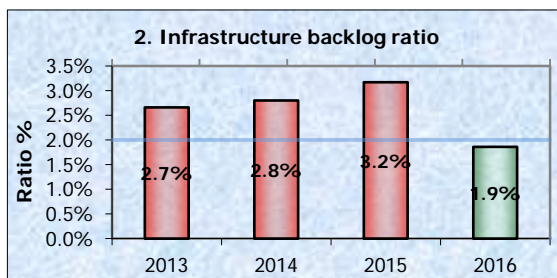
### Commentary on 2015/16 result

**2015/16 Ratio 104.57%**

Council's renewals have improved based on previous years and council will continue to commit to addressing building and infrastructure renewals and maintain financial sustainability.

Benchmark: Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

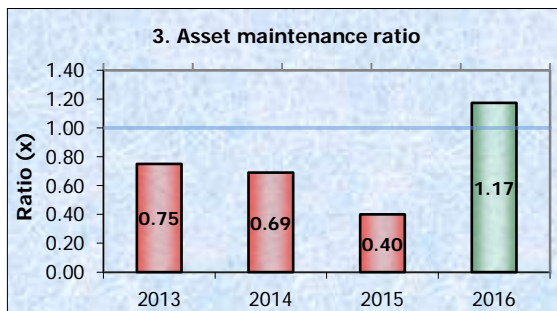
### Commentary on 2015/16 result

**2015/16 Ratio 1.86%**

Council will continue to focus on maintaining asset backlog and will focus on asset expenditure.

Benchmark: Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

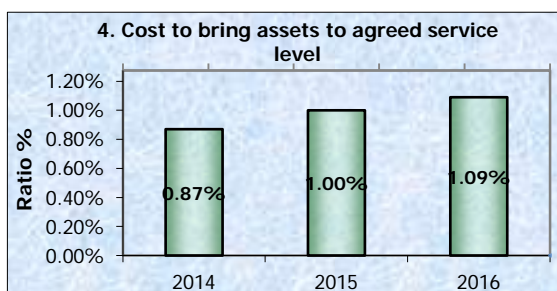
### Commentary on 2015/16 result

**2015/16 Ratio 1.17 x**

Council's asset maintenance ratio has improved on the previous year and will continue to focus on asset expenditure.

Benchmark: Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



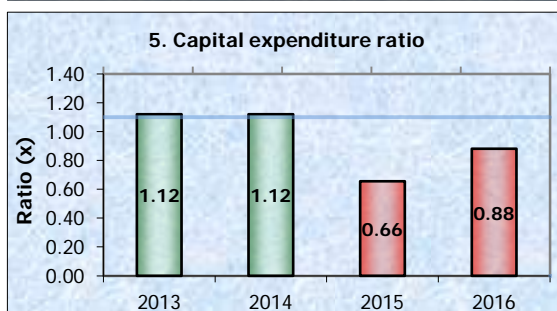
### Purpose of agreed service level ratio

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

### Commentary on 2015/16 result

**2015/16 Ratio 1.09%**

Cost have remained relatively stable over the period.



### Purpose of capital expenditure ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

### Commentary on 2015/16 result

**2015/16 Ratio 0.88 x**

Council is slightly below benchmark and will continue to improve capital expenditure relating to assets.

Benchmark: Minimum  $> 1.10$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Strathfield Municipal Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	15,686	16,184
Plus or minus adjustments <sup>(2)</sup>	b	119	228
<b>Notional general income</b>	c = (a + b)	<b>15,805</b>	<b>16,412</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	379	295
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>16,184</b>	<b>16,707</b>
Plus (or minus) last year's carry forward total	l	–	–
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>–</b>	<b>–</b>
<b>Total permissible income</b>	o = k + n	<b>16,184</b>	<b>16,707</b>
Less notional general income yield	p	16,184	16,707
<b>Catch-up or (excess) result</b>	q = o – p	<b>–</b>	<b>–</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>–</b>	<b>–</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 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## STRATHFIELD MUNICIPAL COUNCIL

### SPECIAL SCHEDULE NO. 8

### INDEPENDENT AUDITORS' REPORT

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#### REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Strathfield Municipal Council for the year ending 30 June 2017.

#### *Responsibility of Council for Special Schedule No. 8*

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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#### Assurance Partners

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Independence***

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

***Audit Opinion***

In our opinion, Special Schedule No. 8 of Strathfield Municipal Council for 2016/17 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

***Basis of Accounting***

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

**HILL ROGERS**



**BRETT HANGER**

Partner

Dated at Sydney this 5th day of December 2016