

Strathfield Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



Strathfield Municipal Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & 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 08 October 2015. Council has the power to amend and reissue these financial statements.
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Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

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

About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize 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 & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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 financial year ended 30 June 2015

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

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

- The Local Government Act 1993 (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
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 01 September 2015.



Sang Ok
MAYOR



Andrew Soulos
COUNCILLOR



David Backhouse
GENERAL MANAGER



Les O'Donnell
RESPONSIBLE ACCOUNTING OFFICER

Strathfield Municipal Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
21,121	Rates & Annual Charges	3a	21,519	20,856
4,054	User Charges & Fees	3b	5,331	3,863
915	Interest & Investment Revenue	3c	1,444	1,272
1,504	Other Revenues	3d	1,820	2,264
2,623	Grants & Contributions provided for Operating Purposes	3e,f	2,956	2,616 ²
1,022	Grants & Contributions provided for Capital Purposes	3e,f	9,566	3,781
Other Income:				
2,475	Net gains from the disposal of assets	5	51	125
-	Net Share of interests in Joint Ventures & Associates using the equity method	19	-	-
33,714	Total Income from Continuing Operations		42,687	34,777
Expenses from Continuing Operations				
13,911	Employee Benefits & On-Costs	4a	12,363	12,729
-	Borrowing Costs	4b	-	-
6,920	Materials & Contracts	4c	8,056	7,021
4,613	Depreciation & Amortisation	4d	4,351	4,875
-	Impairment	4d	-	-
7,407	Other Expenses	4e	7,657	7,836
32,851	Total Expenses from Continuing Operations		32,427	32,461
863	Operating Result from Continuing Operations		10,260	2,316
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
863	Net Operating Result for the Year		10,260	2,316
863	Net Operating Result attributable to Council		10,260	2,316
-	Net Operating Result attributable to Non-controlling Interests		-	-
(159)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		694	(1,465)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting a one off timing difference due to a change in how the grant was paid in prior years - refer Note 3 (e)

Strathfield Municipal Council

Statement of Comprehensive Income for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		10,260	2,316
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	7,046	-
Total Items which will not be reclassified subsequently to the Operating Result		7,046	-
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		7,046	-
Total Comprehensive Income for the Year		17,306	2,316
Total Comprehensive Income attributable to Council		17,306	2,316
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Strathfield Municipal Council

Statement of Financial Position

as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	9,572	10,437
Investments	6b	34,500	21,500
Receivables	7	2,788	2,805
Inventories	8	78	40
Other	8	113	150
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		47,051	34,932
Non-Current Assets			
Investments	6b	-	-
Receivables	7	-	-
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	266,922	261,374
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		266,922	261,374
TOTAL ASSETS		313,973	296,306
LIABILITIES			
Current Liabilities			
Payables	10	8,026	7,860
Borrowings	10	-	-
Provisions	10	3,302	3,104
Total Current Liabilities		11,328	10,964
Non-Current Liabilities			
Payables	10	-	-
Borrowings	10	-	-
Provisions	10	167	170
Total Non-Current Liabilities		167	170
TOTAL LIABILITIES		11,495	11,134
Net Assets		302,478	285,172
EQUITY			
Retained Earnings	20	170,416	160,156
Revaluation Reserves	20	132,062	125,016
Council Equity Interest		302,478	285,172
Non-controlling Equity Interests		-	-
Total Equity		302,478	285,172

Strathfield Municipal Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		160,156	125,016	285,172	-	285,172
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		160,156	125,016	285,172	-	285,172
c. Net Operating Result for the Year		10,260	-	10,260	-	10,260
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	7,046	7,046	-	7,046
Other Comprehensive Income		-	7,046	7,046	-	7,046
Total Comprehensive Income (c&d)		10,260	7,046	17,306	-	17,306
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		170,416	132,062	302,478	-	302,478

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		157,840	125,016	282,856	-	282,856
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		157,840	125,016	282,856	-	282,856
c. Net Operating Result for the Year		2,316	-	2,316	-	2,316
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income (c&d)		2,316	-	2,316	-	2,316
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		160,156	125,016	285,172	-	285,172

Strathfield Municipal Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
21,121	Rates & Annual Charges		21,526	20,822
4,054	User Charges & Fees		5,759	3,797
915	Investment & Interest Revenue Received		1,368	1,213
3,645	Grants & Contributions		12,394	6,397
-	Bonds, Deposits & Retention amounts received		2,377	1,507
1,054	Other		3,539	3,531
Payments:				
(15,895)	Employee Benefits & On-Costs		(12,132)	(12,508)
(6,920)	Materials & Contracts		(10,446)	(7,281)
-	Bonds, Deposits & Retention amounts refunded		(1,822)	(1,049)
(7,407)	Other		(7,620)	(9,464)
567	Net Cash provided (or used in) Operating Activities	11b	14,943	6,965
Cash Flows from Investing Activities				
Receipts:				
28,000	Sale of Investment Securities		26,000	32,000
2,475	Sale of Infrastructure, Property, Plant & Equipment		373	389
Payments:				
(25,000)	Purchase of Investment Securities		(39,000)	(31,500)
(6,042)	Purchase of Infrastructure, Property, Plant & Equipment		(3,181)	(5,623)
(567)	Net Cash provided (or used in) Investing Activities		(15,808)	(4,734)
Cash Flows from Financing Activities				
Nil				
-	Net Increase/(Decrease) in Cash & Cash Equivalents		(865)	2,231
10,437	plus: Cash & Cash Equivalents - beginning of year	11a	10,437	8,206
10,437	Cash & Cash Equivalents - end of the year	11a	9,572	10,437
Additional Information:				
	plus: Investments on hand - end of year	6b	34,500	21,500
	Total Cash, Cash Equivalents & Investments		44,072	31,937

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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) & 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 IFRS's, 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), Regulations and Local Government Code of Accounting Practice & 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

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(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 2014.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(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,

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 & 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.

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.

Critical judgements in applying Council's accounting policies

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

(ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(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 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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 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 & 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 (should any apply).

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 financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

Trust monies and property subject to Council's control have been included in these 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.

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

Council has no interest in any Associates.

(v) 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 which are subject to an insignificant risk of changes in value, and

(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/intention for which the investment was acquired & 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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(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 &/or are expected to be realised within 12 months of the balance sheet date.

(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 & 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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

General Accounting & 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.

(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 undertake its investment of money 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

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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

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 & 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 which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the 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

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.

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.

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

(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;

- **Operational Land** (External Valuation)
- **Buildings – Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)
- **Other Assets** (as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an assets 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 (ie. 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 & 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

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and 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 assets 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

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 De-recognition

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

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(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 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 &/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

Council does not have any outstanding obligations to make, restore, rehabilitate or reinstate any of its assets or operations.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & 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

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 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 & 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 which 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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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-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 & 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,

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 20/02/13 and covers the period ended 30/06/15.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 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 2015 was \$ 303,224.

The amount of additional contributions included in the total employer contribution advised above is \$103,624.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$113,400 as at 30 June 2015.

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 30/06/15.

(y) Self insurance

Council does not self insure.

(z) Allocation between current and non-current assets & 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

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

liability is classified as current even if 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 & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of 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, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which 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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

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 financial year ended 30 June 2015

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
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	-	-	-	283	255	282	(283)	(255)	(282)	472	250	79	75
Administration	1,447	2,395	2,250	5,986	7,434	6,780	(4,539)	(5,039)	(4,530)	20	-	51,143	48,265
Public Order & Safety	726	799	883	1,467	1,364	1,404	(741)	(565)	(521)	-	-	427	403
Health	131	345	130	468	395	364	(337)	(50)	(234)	-	-	-	-
Environment	6,017	6,436	6,216	6,835	6,357	6,415	(818)	79	(199)	189	334	22,914	21,625
Community Services & Education	596	567	690	1,687	811	1,090	(1,091)	(244)	(400)	424	491	1,958	1,848
Housing & Community Amenities	2,251	225	222	2,063	1,585	1,812	188	(1,360)	(1,590)	128	128	5,503	5,193
Recreation & Culture	4,104	8,428	5,087	7,130	7,203	6,760	(3,026)	1,225	(1,673)	1,071	762	57,679	54,433
Mining, Manufacturing & Construction	796	1,074	956	847	736	632	(51)	338	324	-	-	-	-
Transport & Communication	1,981	4,827	1,643	5,884	6,146	6,758	(3,903)	(1,319)	(5,115)	42	46	174,270	164,464
Economic Affairs	-	1	1	201	141	164	(201)	(140)	(163)	-	-	-	-
Total Functions & Activities	18,049	25,097	18,078	32,851	32,427	32,461	(14,802)	(7,330)	(14,383)	2,346	2,011	313,973	296,306
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	15,665	17,590	16,699	-	-	-	15,665	17,590	16,699	1,183	652	-	-
Operating Result from Continuing Operations	33,714	42,687	34,777	32,851	32,427	32,461	863	10,260	2,316	3,529	2,663	313,973	296,306

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

Costs relating to the 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, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		10,567	10,271
Business		4,772	4,701
Total Ordinary Rates		15,339	14,972
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		5,925	5,624
Stormwater Management Services		222	223
Section 611 Charges		33	37
Total Annual Charges		6,180	5,884
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>21,519</u>	<u>20,856</u>
Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.			
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Waste Management Services (non-domestic)		174	174
Total User Charges		174	174
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Health Act		166	98
Planning & Building Regulation		1,236	1,047
Section 149 Certificates (EPA Act)		140	136
Section 603 Certificates		66	68
Other		6	-
Total Fees & Charges - Statutory/Regulatory		1,614	1,349
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Child Care		186	182
Community Services		11	18
Companion Animals		19	17
Hudson Park Golf Course		1,057	857
Leaseback Fees - Council Vehicles		63	40
Library		16	15
Other Property Rentals		543	373
Park Rents		434	288
Restoration Charges		1,214	550
Total Fees & Charges - Other		3,543	2,340
<u>TOTAL USER CHARGES & FEES</u>		<u>5,331</u>	<u>3,863</u>

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		53	59
- Interest earned on Investments (interest & coupon payment income)		1,391	1,213
TOTAL INTEREST & INVESTMENT REVENUE		1,444	1,272
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		53	59
General Council Cash & Investments		732	716
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		540	395
Domestic Waste Management operations		119	102
Total Interest & Investment Revenue Recognised		1,444	1,272
(d) Other Revenues			
Ex Gratia Rates		283	300
Fines - Parking		713	764
Fines - Other		11	11
Legal Fees Recovery - Other		64	94
Diesel Rebate		96	-
Events Sponsorship		38	80
Insurance Claim Recoveries		98	407
Insurance Incentives		225	310
Nursery Sales		2	18
Other Corporate Income		9	6
Pipeline Charges		80	78
Utilities Reimbursements		44	79
Other		157	117
TOTAL OTHER REVENUE		1,820	2,264

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	793	397	-	-
Financial Assistance - Local Roads Component	270	133	-	-
Pensioners' Rates Subsidies - General Component	120	122	-	-
Total General Purpose	1,183	652	-	-
¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	60	60	-	-
Aged Care	166	159	-	-
Communication - NBN Project	-	-	187	187
Community Care	121	67	-	95
Crime Safety & Crime Prevention	6	122	-	-
Environmental Protection	510	717	700	-
Library	-	42	107	63
Noxious Weeds	18	-	-	-
Parks & Recreation	-	-	-	75
Planning	20	-	-	-
Road Safety	31	32	-	-
Recreation & Culture	-	-	33	-
Street Lighting	128	128	-	-
Transport (Other Roads & Bridges Funding)	11	14	248	250
Total Specific Purpose	1,071	1,341	1,275	670
Total Grants	2,254	1,993	1,275	670
Grant Revenue is attributable to:				
- Commonwealth Funding	1,718	1,410	220	-
- State Funding	535	560	1,055	420
- Other Funding	1	23	-	250
	2,254	1,993	1,275	670

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	80	50	8,291	3,111
Total Developer Contributions	80	50	8,291	3,111
Other Contributions:				
Cooks River Alliance	418	419	-	-
RMS Contributions (Regional Roads, Block Grant)	204	154	-	-
Total Other Contributions	622	573	-	-
Total Contributions	702	623	8,291	3,111
TOTAL GRANTS & CONTRIBUTIONS	2,956	2,616	9,566	3,781

\$ '000	Actual 2015	Actual 2014
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	14,948	12,783
add: Grants & contributions recognised in the current period but not yet spent:	10,336	4,327
less: Grants & contributions recognised in a previous reporting period now spent:	(1,486)	(2,162)
Net Increase (Decrease) in Restricted Assets during the Period	8,850	2,165
Unexpended and held as Restricted Assets	23,798	14,948
Comprising:		
- Specific Purpose Unexpended Grants	2,045	1,320
- Developer Contributions	21,753	13,628
	23,798	14,948

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		8,506	8,499
Travelling		517	517
Employee Leave Entitlements (ELE)		1,847	1,989
Superannuation		981	1,066
Workers' Compensation Insurance		421	521
Fringe Benefit Tax (FBT)		125	138
Training Costs (other than Salaries & Wages)		145	147
Protective Clothing		16	-
Other		6	5
Total Employee Costs		12,564	12,882
less: Capitalised Costs		(201)	(153)
TOTAL EMPLOYEE COSTS EXPENSED		12,363	12,729
Number of "Equivalent Full Time" Employees at year end		152	145
(b) Borrowing Costs			
Nil			
(c) Materials & Contracts			
Raw Materials & Consumables		3,944	3,838
Contractor & Consultancy Costs		727	1,046
- Contract Relief Staff		1,620	642
- Street & Gutter Cleaning		608	521
- Strategic Planning Consultants		72	66
Auditors Remuneration ⁽¹⁾		50	37
Infringement Notice Contract Costs (SEINS)		111	121
Legal Expenses:			
- Legal Expenses: Planning & Development		568	435
- Legal Expenses: Debt Recovery		83	90
- Legal Expenses: Other		149	342
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payment ⁽²⁾		124	137
Total Materials & Contracts		8,056	7,275
less: Capitalised Costs		-	(254)
TOTAL MATERIALS & CONTRACTS		8,056	7,021

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		38	37
- Internal Audit		12	-
Remuneration for audit and other assurance services		50	37
Total Auditor Remuneration		50	37
2. Operating Lease Payments are attributable to:			
Computers		124	127
Other		-	10
		124	137

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	636	664
Office Equipment		-	-	150	124
Land Improvements (depreciable)		-	-	15	45
Park Assets		-	-	159	147
Buildings - Non Specialised		-	-	116	116
Buildings - Specialised		-	-	513	513
Infrastructure:					
- Roads		-	-	1,696	1,963
- Bridges		-	-	15	16
- Footpaths		-	-	405	478
- Stormwater Drainage		-	-	528	666
Other Assets					
- Library Books		-	-	71	96
- Other		-	-	47	47
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	4,351	4,875

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Advertising		442	320
Bad & Doubtful Debts		170	375
Bank Charges		66	67
Cleaning		179	178
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		84	83
- NSW Fire Brigade Levy		562	555
Councillor Expenses - Mayoral Fee		39	38
Councillor Expenses - Councillors' Fees		126	122
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		58	73
Donations, Contributions & Assistance to other organisations (Section 356)		38	19
Electricity & Heating		433	519
Insurance		503	505
Office Expenses (including computer expenses)		126	87
Postage		56	56
Printing & Stationery		200	190
Security		42	52
Street Lighting		688	752
Subscriptions & Publications		52	73
Telephone & Communications		198	170
Valuation Fees		47	45
Waste Disposal - Tipping Fees		3,548	3,557
<u>TOTAL OTHER EXPENSES</u>		<u>7,657</u>	<u>7,836</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		373	389
less: Carrying Amount of P&E Assets Sold / Written Off		(277)	(253)
Net Gain/(Loss) on Disposal		96	136
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(45)	(11)
Net Gain/(Loss) on Disposal		(45)	(11)
Financial Assets			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		26,000	32,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(26,000)	(32,000)
Net Gain/(Loss) on Disposal		-	-
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>51</u>	<u>125</u>

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		95	-	1,628	-
Cash-Equivalent Assets ¹					
- Deposits at Call		3,750	-	3,250	-
- Managed Funds		5,727	-	5,559	-
Total Cash & Cash Equivalents		9,572	-	10,437	-
Investments (Note 6b)					
- Long Term Deposits		34,500	-	21,500	-
Total Investments		34,500	-	21,500	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		44,072	-	31,937	-

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		9,572	-	10,437	-
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Investments

b. "Held to Maturity"	6(b-ii)	34,500	-	21,500	-
Investments		34,500	-	21,500	-

Note 6(b-i)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year		21,500	-	22,000	-
Additions		39,000	-	31,500	-
Disposals (sales & redemptions)		(26,000)	-	(32,000)	-
Balance at End of Year		34,500	-	21,500	-

Comprising:

- Long Term Deposits		34,500	-	21,500	-
Total		34,500	-	21,500	-

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 financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	44,072	-	31,937	-
attributable to:				
External Restrictions (refer below)	28,372	-	18,556	-
Internal Restrictions (refer below)	14,783	-	12,643	-
Unrestricted	917	-	738	-
	44,072	-	31,937	-

2015 \$ '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)	13,628	8,911	(786)	21,753
RMS (formerly RTA) Contributions	(E)	-	570	(409)	161
Specific Purpose Unexpended Grants	(F)	1,320	3,581	(3,017)	1,884
Domestic Waste Management	(G)	3,358	6,159	(5,415)	4,102
Stormwater Management	(G)	223	222	-	445
Road Contribution		27	-	-	27
External Restrictions - Other		18,556	19,443	(9,627)	28,372
Total External Restrictions		18,556	19,443	(9,627)	28,372

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)

G Water, Sewerage, Domestic Waste Management (DWM) & 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 financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	1,167	-	(62)	1,105
Employees Leave Entitlement	1,310	78	-	1,388
Carry Over Works	979	1,676	(622)	2,033
Deposits, Retentions & Bonds	5,497	555	-	6,052
Adshel (Bus Shelters)	270	-	-	270
Election	50	50	-	100
Future Major Expenditure	2,791	-	-	2,791
Hudson Golf Course	94	-	-	94
Risk Management	136	65	-	201
Parkscape Improvements	29	-	-	29
Technology	320	400	-	720
Total Internal Restrictions	12,643	2,824	(684)	14,783
TOTAL RESTRICTIONS	31,199	22,267	(10,311)	43,155

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		997	-	1,004	-
Interest & Extra Charges		163	-	213	-
User Charges & Fees		998	-	1,097	-
Accrued Revenues					
- Interest on Investments		630	-	504	-
- Other Income Accruals		150	-	237	-
Government Grants & Subsidies		128	-	-	-
Net GST Receivable		139	-	395	-
Other Debtors		41	-	39	-
Total		3,246	-	3,489	-
less: Provision for Impairment					
User Charges & Fees		(458)	-	(684)	-
Total Provision for Impairment - Receivables		(458)	-	(684)	-
<u>TOTAL NET RECEIVABLES</u>		<u>2,788</u>	<u>-</u>	<u>2,805</u>	<u>-</u>

Externally Restricted Receivables

There are no restrictions applicable to the above receivables.

Notes on Debtors above:

- (i) Rates & 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 & charges at 8.50% (2014 9.00%).
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 financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Stores & Materials		78	-	40	-
Total Inventories		78	-	40	-
Other Assets					
Prepayments		113	-	150	-
Total Other Assets		113	-	150	-
TOTAL INVENTORIES/OTHER ASSETS		191	-	190	-

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.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014					Asset Movements during the Reporting Period						as at 30/6/2015					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying	
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value	
Capital Work in Progress	89	-	-	-	89	48	-	-	(89)	-	-	48	-	-	-	-	48
Plant & Equipment	-	5,391	3,025	-	2,366	910	(277)	(636)	10	-	-	-	5,624	3,251	-	-	2,373
Office Equipment	-	1,677	1,121	-	556	150	-	(150)	-	-	-	-	1,827	1,271	-	-	556
Land:																	
- Operational Land	-	33,516	-	-	33,516	-	-	-	-	-	-	-	33,516	-	-	-	33,516
- Community Land	-	27,762	-	-	27,762	-	-	-	-	-	-	-	27,762	-	-	-	27,762
Land Improvements - depreciable	-	1,010	115	-	895	13	-	(15)	-	-	-	-	1,023	129	-	-	894
Park Assets	-	5,204	1,760	-	3,444	210	-	(159)	(10)	-	-	-	5,404	1,919	-	-	3,485
Buildings - Non Specialised	-	6,874	3,244	-	3,630	-	(45)	(116)	-	-	-	-	6,231	2,763	-	-	3,468
Buildings - Specialised	-	30,061	11,510	-	18,551	375	-	(513)	-	-	-	-	30,436	12,023	-	-	18,413
Infrastructure:																	
- Roads	-	100,992	37,767	-	63,225	791	-	(1,696)	89	-	19,976	-	117,124	34,738	-	-	82,386
- Bridges	-	1,234	784	-	450	-	-	(15)	-	-	609	-	1,774	730	-	-	1,044
- Footpaths	-	27,016	10,199	-	16,817	537	-	(405)	-	-	7,423	-	32,919	8,547	-	-	24,372
- Bulk Earthworks (non-depreciable)	-	68,716	-	-	68,716	-	-	-	-	(37,652)	-	-	31,065	-	-	-	31,065
- Stormwater Drainage	-	53,444	32,667	-	20,777	-	-	(528)	-	-	16,690	-	56,659	19,720	-	-	36,939
Other Assets:																	
- Library Books	-	1,196	956	-	240	140	-	(71)	-	-	-	-	1,336	1,027	-	-	309
- Other	-	922	582	-	340	-	-	(47)	-	-	-	-	922	630	-	-	292
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	89	365,015	103,730	-	261,374	3,174	(322)	(4,351)	-	(37,652)	44,698	48	353,622	86,748	-	-	266,922

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals \$1,547,350 and New Assets \$468,888. 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 & Equipment.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000	Actual				Actual			
	2015				2014			
Class of Asset	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Domestic Waste Management								
Plant & Equipment	-	1,743	1,099	644	-	1,715	946	769
Other Assets	-	927	630	297	-	927	560	367
Total DWM	-	2,670	1,729	941	-	2,642	1,506	1,136
TOTAL RESTRICTED I,PP&E	-	2,670	1,729	941	-	2,642	1,506	1,136

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,187	-	1,585	-
Goods & Services - capital expenditure		385	-	391	-
Payments Received In Advance		151	-	172	-
Accrued Expenses:					
- Salaries & Wages		251	-	215	-
Security Bonds, Deposits & Retentions		6,052	-	5,497	-
Total Payables		8,026	-	7,860	-
Borrowings					
Nil					
Provisions					
Employee Benefits;					
Annual Leave		1,211	-	1,211	-
Sick Leave		202	-	204	-
Long Service Leave		1,603	167	1,418	170
ELE On-Costs		286	-	271	-
Total Provisions		3,302	167	3,104	170
Total Payables, Borrowings & Provisions		11,328	167	10,964	170

(i) Liabilities relating to Restricted Assets

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

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	Actual 2015	Actual 2014
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	1,000	1,000
Payables - Security Bonds, Deposits & Retentions	4,552	4,097
	<u>5,552</u>	<u>5,097</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014		2015			
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	1,211	737	(737)	-	-	1,211
Sick Leave	204	367	(369)	-	-	202
Long Service Leave	1,588	606	(424)	-	-	1,770
ELE On-Costs	271	15	-	-	-	286
TOTAL	3,274	1,725	(1,530)	-	-	3,469

- a. Employees Leave Entitlements & 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 financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	9,572	10,437
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		9,572	10,437
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		10,260	2,316
Adjust for non cash items:			
Depreciation & Amortisation		4,351	4,875
Net Losses/(Gains) on Disposal of Assets		(51)	(125)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		243	(1,083)
Increase/(Decrease) in Provision for Doubtful Debts		(226)	376
Decrease/(Increase) in Inventories		(38)	11
Decrease/(Increase) in Other Assets		37	193
Increase/(Decrease) in Payables		(398)	(271)
Increase/(Decrease) in other accrued Expenses Payable		36	49
Increase/(Decrease) in Other Liabilities		534	452
Increase/(Decrease) in Employee Leave Entitlements		195	172
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		14,943	6,965
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Credit Cards / Purchase Cards		70	70
Total Financing Arrangements		70	70
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		6	9
Total Financing Arrangements Utilised		6	9
(ii) Secured Loan Liabilities			

Loans are secured by a mortgage over future years Rate Revenue only.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Roads		-	344
Domestic Waste Service		5,194	-
Other		371	-
Total Commitments		5,565	344
These expenditures are payable as follows:			
Within the next year		1,768	344
Later than one year and not later than 5 years		3,797	-
Total Payable		5,565	344
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		371	344
Externally Restricted Reserves		5,194	-
Total Sources of Funding		5,565	344

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year		136	279
Later than one year and not later than 5 years		147	129
Total Non Cancellable Operating Lease Commitments		283	408

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 financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>643</u>	1.94%	-5.15%	-8.93%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	33,070			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>30,114</u>	70.63%	81.54%	83.78%
Total continuing operating revenue ⁽¹⁾	42,636			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>18,679</u>	3.23x	2.79	3.06
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>5,776</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>4,994</u>	0.00x	0.00	0.00
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>-</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,160</u>	5.09%	5.51%	5.54%
Rates, Annual and Extra Charges Collectible	<u>22,789</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>44,072</u>	16.52	12.65	13.41
Payments from cash flow of operating and financing activities	<u>2,668</u>	mths		

Notes

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

(2) Refer Notes 6-8 inclusive.

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

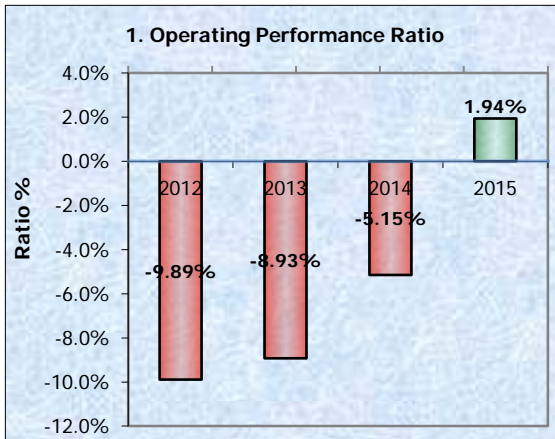
(3) Refer to Note 10(a).

(4) Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 2014/15 Result

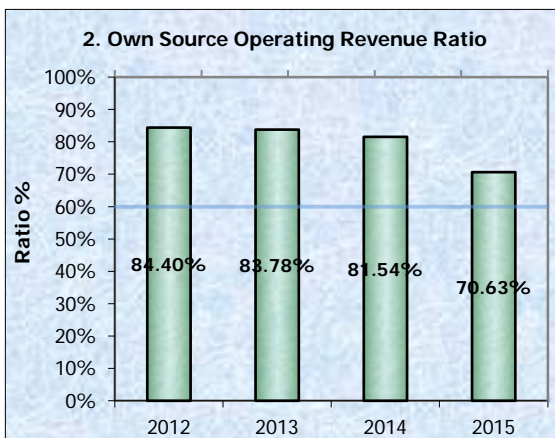
2014/15 Ratio 1.94%

Council's Operating Performance is above benchmark which is an improvement on previous year.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within 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 & contributions.

Commentary on 2014/15 Result

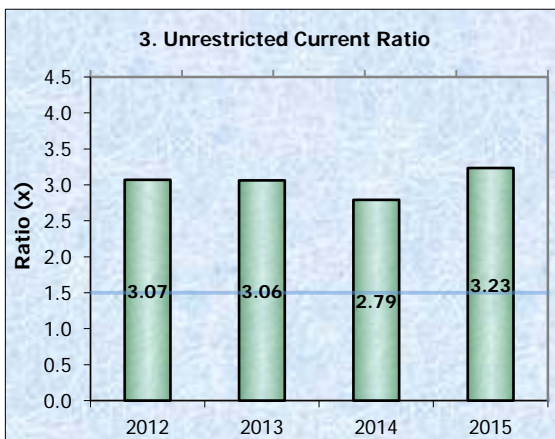
2014/15 Ratio 70.63%

Council is not fully reliant on grants and contributions.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within 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 2014/15 Result

2014/15 Ratio 3.23x

Council has continued to maintain a very liquid position.

Benchmark: ——— Minimum ≥ 1.50

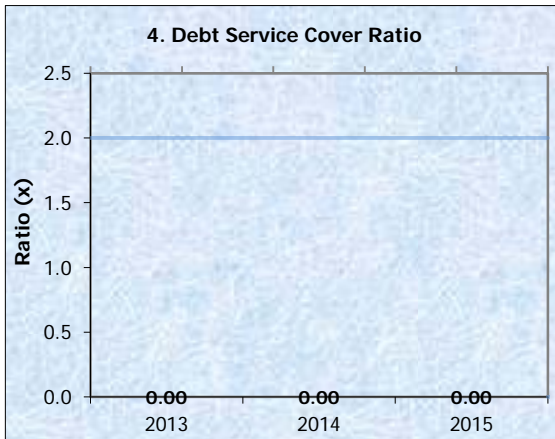
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 2014/15 Result

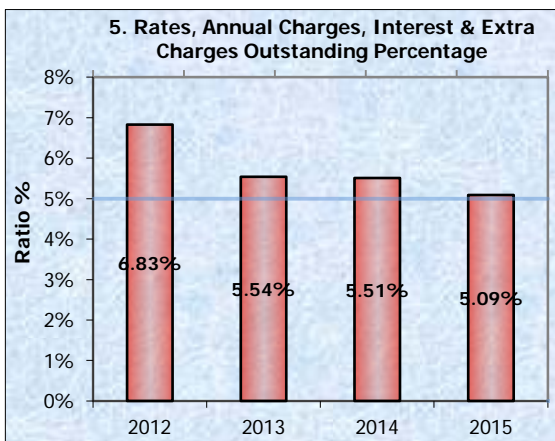
2014/15 Ratio 0.00x

Council continues to be debt free.

Benchmark: ——— Minimum >=2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & 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 2014/15 Result

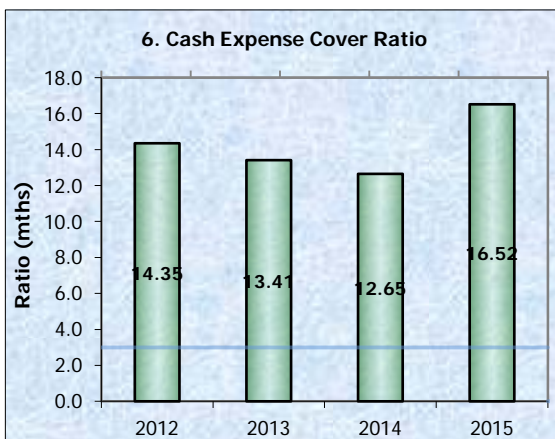
2014/15 Ratio 5.09%

Council's debt collection has continued to improve.

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 16.52 mths

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 #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	9,572	10,437	9,572	10,437
Investments				
- "Held to Maturity"	34,500	21,500	34,500	21,500
Receivables	2,788	2,805	2,788	2,805
Total Financial Assets	46,860	34,742	46,860	34,742
Financial Liabilities				
Payables	7,875	7,688	7,875	7,688
Total Financial Liabilities	7,875	7,688	7,875	7,688

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & 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 & liabilities

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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 & Investments.

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
2015				
Possible impact of a 1% movement in Interest Rates	441	441	(441)	(441)
2014				
Possible impact of a 1% movement in Interest Rates	319	319	(319)	(319)

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & 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 & 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:

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	69%	0%	69%
Overdue	100%	31%	100%	31%
	100%	100%	100%	100%

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	-	1,280	-	1,410
< 1 year overdue	0 - 30 days overdue	997	-	1,004	-
1 - 2 years overdue	30 - 60 days overdue	-	517	-	305
2 - 5 years overdue	60 - 90 days overdue	-	7	-	80
> 5 years overdue	> 90 days overdue	-	445	-	690
		997	2,249	1,004	2,485

	2015	2014
(iii) Movement in Provision for Impairment of Receivables		
Balance at the beginning of the year	684	308
+ new provisions recognised during the year	169	376
- amounts already provided for & written off this year	(395)	-
Balance at the end of the year	458	684

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & 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		
2015									
Trade/Other Payables	6,052	1,823	-	-	-	-	-	7,875	7,875
Total Financial Liabilities	6,052	1,823	-	-	-	-	-	7,875	7,875
2014									
Trade/Other Payables	5,497	2,191	-	-	-	-	-	7,688	7,688
Total Financial Liabilities	5,497	2,191	-	-	-	-	-	7,688	7,688

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,875	0.0%	7,688	0.0%
	<u>7,875</u>		<u>7,688</u>	

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 18 June 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its 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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	21,121	21,519	398	2%	F
User Charges & Fees	4,054	5,331	1,277	31%	F
Council received additional revenue from Sport and Recreational activities \$36,756, Property rents \$311,399 Development Application fees \$711,637, Inspection fees \$128,424, Certificate fees \$80,986.					
Interest & Investment Revenue	915	1,444	529	58%	F
Higher than anticipated interest earnings due to an increase in developer contributions S94 funds received.					
Other Revenues	1,504	1,820	316	21%	F
Fuel Tax credit rebate \$96,029, Hudson Park Golf Course \$29,092, Insurance incentive \$64,604, Parking Fines \$48,407, Sponsorship received \$59,495.					
Operating Grants & Contributions	2,623	2,956	333	13%	F
Capital Grants & Contributions	1,022	9,566	8,544	836%	F
Due to greater than anticipated Developer Contributions received for Section 94 \$7,496,071, Parks and Recreational and RMS grants and contributions.					
Net Gains from Disposal of Assets	2,475	51	(2,424)	(98%)	U
Due to an anticipated sale of property at Dalton Ave delayed					

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	13,911	12,363	1,548	11%	F
Employee costs were significantly lower due to vacant positions being covered by Contract Relief Staff \$1,489,706 which is offset in materials and contracts.					
Materials & Contracts	6,920	8,056	(1,136)	(16%)	U
Due to greater than anticipated expenditure for Legal costs \$530,643, Contract Relief Staff \$1,513,609 (offset in employee costs), Consultants \$50,445. Underspent budgets Digital Local Gov't Program (NBN) -\$136,141, Cooks River Project -\$313,718, Traffic Facilities -\$380,390, Road Construction -\$120,022.					
Depreciation & Amortisation	4,613	4,351	262	6%	F
Other Expenses	7,407	7,657	(250)	(3%)	U

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

Cash Flows from Operating Activities	567	14,943	14,376	2535.4%	F
Due to greater than anticipated grants and contributions, section 94 income and additional revenue as above.					
Cash Flows from Investing Activities	(567)	(15,808)	(15,241)	2688.0%	U
Due to the movement in investment activities.					

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies & 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 & levies and the value of all remaining funds which are "restricted" in their future use.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads & Traffic Facilities	8,437	2,893	-	306	-	-	11,636	6,830	(18,160)	306	-
Parking	398	-	-	-	-	-	398	-	(398)	-	-
Major Open Space	2,812	3,002	-	135	(1)	-	5,948	24,928	(30,741)	135	-
Local Open Space	219	1,009	-	19	(229)	-	1,018	9,224	(10,223)	19	-
Community Facilities	262	781	-	21	(83)	-	981	53,944	(54,904)	21	-
Administration	116	118	-	6	(473)	-	(233)	1,011	(772)	6	-
S94 Contributions - under a Plan	12,244	7,803	-	487	(786)	-	19,748	95,937	(115,198)	487	-
S94A Levies - under a Plan	577	568	-	27	-	-	1,172				-
Total S94 Revenue Under Plans	12,821	8,371	-	514	(786)	-	20,920				-
S94 not under Plans	807	-	-	26	-	-	833	-	(807)	26	-
Total Contributions	13,628	8,371	-	540	(786)	-	21,753	95,937	(116,005)	513	-

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads & Traffic Facilities	7,641	2,893	-	306	-	-	10,840	6,830	(17,364)	306	-
Major Open Space	2,803	3,002	-	135	(1)	-	5,939	24,928	(30,741)	126	-
Local Open Space	219	1,009	-	19	(229)	-	1,018	9,224	(10,223)	19	-
Community Facilities	262	781	-	21	(83)	-	981	53,944	(54,904)	21	-
Administration	116	118	-	6	(473)	-	(233)	1,011	(772)	6	-
Total	11,041	7,803	-	487	(786)	-	18,545	95,937	(114,004)	478	-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads & Traffic Facilities	796	-	-	-	-	-	796	-	(796)	-	-
Parking	398	-	-	-	-	-	398	-	(398)	-	-
Major Open Space	9	-	-	-	-	-	9	-	-	9	-
Total	1,203	-	-	-	-	-	1,203	-	(1,194)	9	-

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
General Levy	577	568	-	27	-	-	1,172	-	-	-	-
Total	577	568	-	27	-	-	1,172				-

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	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	807	-	-	26	-	-	833	-	(807)	26	-
Total	807	-	-	26	-	-	833	-	(807)	26	-

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & 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 & 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 financial year ended 30 June 2015

Note 18. Contingencies & 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 Councils 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 (& 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 & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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 financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		160,156	157,840
a. Net Operating Result for the Year		<u>10,260</u>	<u>2,316</u>
Balance at End of the Reporting Period		<u>170,416</u>	<u>160,156</u>
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		<u>132,062</u>	<u>125,016</u>
Total		<u>132,062</u>	<u>125,016</u>
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		125,016	125,016
- Revaluations for the year	9(a)	<u>7,046</u>	<u>-</u>
- Balance at End of Year		<u>132,062</u>	<u>125,016</u>
TOTAL VALUE OF RESERVES		<u>132,062</u>	<u>125,016</u>

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & 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 & Financial Position by Fund

Council utilises only a General Fund for its operations.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) 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 08/10/15.

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 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset 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 & Restoration Liabilities

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 financial year ended 30 June 2015

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 & recognised at fair values:

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	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
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
Total Infrastructure, Property, Plant & Equipment		-	-	266,874	266,874

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/13	-	-	2,366	2,366
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	-	-	895	895
Park Assets	30/06/11	-	-	3,444	3,444
Buildings Non Specialised	30/06/13	-	-	3,630	3,630
Buildings Specialised	30/06/13	-	-	18,551	18,551
Roads	30/06/10	-	-	63,225	63,225
Bridges	30/06/10	-	-	450	450
Footpaths	30/06/10	-	-	16,817	16,817
Bulk Earthworks (non depreciable)	30/06/10	-	-	68,716	68,716
Stormwater Drainage	30/06/10	-	-	20,777	20,777
Library Books	30/06/11	-	-	240	240
Other	30/06/11	-	-	340	340
Total Infrastructure, Property, Plant & Equipment		-	-	261,285	261,285

(2) Transfers between Level 1 & 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 financial year ended 30 June 2015

Note 27. Fair Value Measurement

(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.

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.

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. There has been no change to the valuation techniques during the reporting period.

Land Under Roads

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

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.

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 financial year ended 30 June 2015

Note 27. Fair Value Measurement

judgement has been required to determine the final fair value of assets. There has been no change to the valuation process during the reporting period.

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.

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.

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 June 2015.

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.

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.

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 financial year ended 30 June 2015

Note 27. Fair Value Measurement

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

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.

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.

Strathfield Municipal Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 & Equipment	Operational Land	Community Land	Land Improvements (Depreciable)	Total
Opening Balance - 1/7/13	2,744	31,771	27,762	858	63,135
Purchases (GBV)	1,219	1,745	-	82	3,046
Disposals (WDV)	(253)	-	-	-	(253)
Depreciation & Impairment	(788)	-	-	(45)	(833)
Closing Balance - 30/6/14	2,922	33,516	27,762	895	65,095
Purchases (GBV)	1,070	-	-	-	1,070
Disposals (WDV)	(277)	-	-	-	(277)
Depreciation & Impairment	(786)	-	-	-	(786)
Closing Balance - 30/6/15	2,929	33,516	27,762	895	65,102
	Buildings	Roads	Bridges	Footpaths	Total
Opening Balance - 1/7/13	22,329	64,057	466	16,895	103,747
Purchases (GBV)	481	1,131	-	411	2,023
Disposals (WDV)	-	-	-	(11)	(11)
Depreciation & Impairment	(629)	(1,963)	(16)	(478)	(3,086)
Closing Balance - 30/6/14	22,181	63,225	450	16,817	102,673
Purchases (GBV)	375	791	-	537	1,703
Disposals (WDV)	(46)	-	(15)	(405)	(466)
Depreciation & Impairment	(629)	(1,696)	-	-	(2,325)
Other movement	-	20,066	609	7,423	28,098
Closing Balance - 30/6/15	21,881	82,386	1,044	24,372	129,683

Strathfield Municipal Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 Depreciable)	Storm Water Drainage	Library Books	Park Assets & Other	Total
Opening Balance - 1/7/13	68,716	21,443	273	3,241	93,673
Purchases (GBV)	-	-	63	833	896
Depreciation & Impairment	-	(666)	(96)	(290)	(1,052)
Closing Balance - 30/6/14	68,716	20,777	240	3,784	93,517
Transfers from/(to) another asset class	-	-	-	(11)	(11)
Purchases (GBV)	-	-	140	211	351
Disposals (WDV)	-	528	(71)	(207)	250
Other movement (details here)	(37,651)	15,634	-	-	(22,017)
Closing Balance - 30/6/15	31,065	36,939	309	3,777	72,090

(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

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 2015, 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. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

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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.

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 SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 8th day of October 2015

8 October 2015

The Mayor
Strathfield Municipal Council
65 Homebush Rd
Strathfield NSW 2135

Mayor,

Audit Report - Year Ended 30 June 2015

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2015 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;

I. RESULTS FOR THE YEAR

I.1 Operating Result

The operating result for the year was a surplus of \$10.26 million as compared with \$2.316 million in the previous year.

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

	2015 \$000	% of Total	2014 \$000	% of Total (Decrease)	Increase \$000
Revenues before capital items					
Rates & annual charges	21,519	65%	20,856	67%	663
User charges, fees & other revenues	7,202	22%	6,252	20%	950
Grants & contributions provided for operating purposes	2,956	9%	2,616	8%	340
Interest & investment revenue	1,444	4%	1,272	4%	172
	33,121	100%	30,996	100%	2,125
Expenses					
Employee benefits & costs	12,363	38%	12,729	39%	(366)
Materials, contracts & other expenses	15,713	48%	14,857	46%	856
Depreciation, amortisation & impairment	4,351	13%	4,875	15%	(524)
Borrowing costs	-	0%	-	0%	-
	32,427	100%	32,461	100%	(34)
Surplus (Deficit) before capital items	694		(1,465)		2,159
Grants & contributions provided for capital purposes	9,566		3,781		5,785
Net Surplus (Deficit) for the year	10,260		2,316		7,944
Performance Measures					
Operating Performance		2015		2014	
		1.94%		-5.15%	
Own Source Operating Revenue		70.63%		81.54%	

The above table shows an overall increase of \$7.944 million from the previous year and is due to increased revenues including grants and developers contributions.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2015, this indicator was 1.27% 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 2015, this indicator was 70.63% 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.

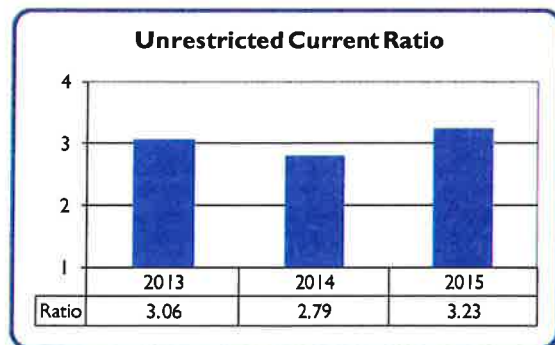
	2015	2014
Funds were provided by:-	\$000	\$000
Operating Result (as above)	10,260	2,316
Add back non funding items:-		
- Depreciation, amortisation & impairment	4,351	4,875
- Book value of non-current assets sold	322	264
	14,933	7,455
Transfers from internal reserves (net)	0	1,720
Net Changes in current/non-current assets & liabilities	749	630
	15,682	9,805
Funds were applied to:-		
Purchase and construction of assets	(3,174)	(5,738)
Transfers to externally restricted assets (net)	(9,816)	(3,709)
Transfers to internal reserves (net)	(2,140)	0
	(15,130)	(9,447)
Increase/(Decrease) in Available Working Capital	552	358

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 \$12.903 million representing a factor of 3.23 to 1.



2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$1.922 million as detailed below;

	2015	2014	Change
	\$000	\$000	\$000
Net Current Assets (Working Capital) as per Accounts	35,723	23,968	11,755
Add: Payables & provisions not expected to be realised in the next 12 months included above	5,552	5,097	455
Adjusted Net Current Assets	41,275	29,065	12,210
Add: Budgeted & expected to pay in the next 12 months			
- Employees leave entitlements	2,302	2,104	198
- Deposits & retention moneys	1,500	1,400	100
Less: Externally restricted assets	(28,372)	(18,556)	(9,816)
Less: Internally restricted assets	(14,783)	(12,643)	(2,140)
Available Working Capital as at 30 June	1,922	1,370	552

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 satisfactory.

2.3 Debt

Council has been debt free since 2011.

2.4 Summary

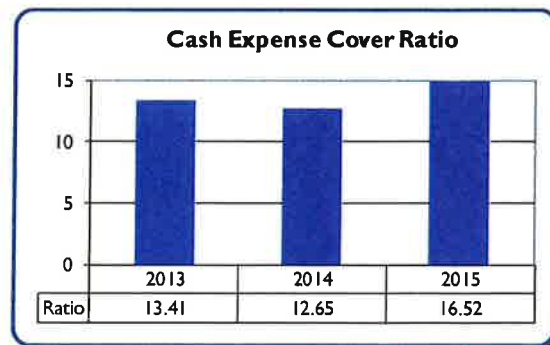
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, sound.

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.

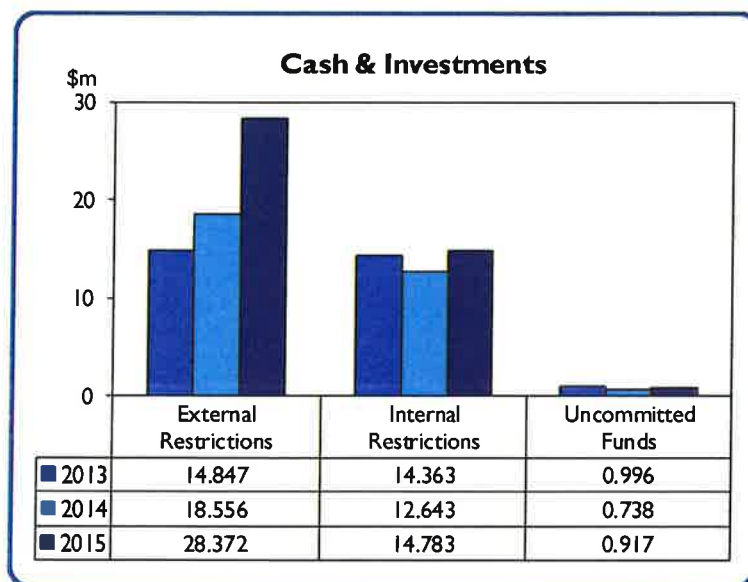
For 2015, this ratio stood at 16.52 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$44.072 million at 30 June 2015 as compared with \$31.937 million in 2014 and \$30.206 million in 2013.

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 (\$21.753 million), domestic waste and stormwater management charges (\$4.547 million) and specific purpose grants and contributions (\$2.072 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 \$14.783 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$917,000, 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 decreased by \$865,000 to \$9.572 million at the close of the year.

In addition to operating activities which contributed net cash of \$14.943 million were the proceeds from the sale of investment securities (\$26 million) and sale of assets (\$373,000). Cash outflows other than operating activities were used to purchase investment securities (\$39 million) and to purchase and construct assets (\$3.181 million).

4. RECEIVABLES

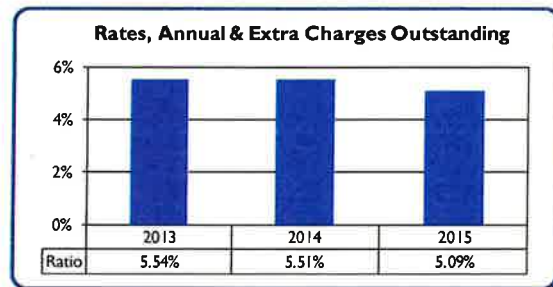
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$21.519 million and represented 50% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$22.523 million of which \$21.526 million (96%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$1.16 million at the end of the year and represented 5.09% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$2.086 million. These included user charges and fees of \$998,000, accrued revenues of \$908,000 and GST receivable of \$139,000. Receivables considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$458,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$3.469 million. Internally restricted cash and investments of \$1.388 million was held representing 40% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

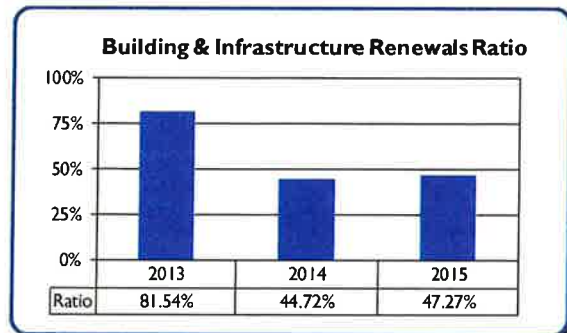
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.052 million and were fully funded by internally restricted cash and investments.

6. BUILDING AND INFRASTRUCTURE RENEWALS

The Building and 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 2015 represented 47% 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 revalued its infrastructure assets during the year. This resulted in an overall increase in the value of these assets of \$7.046 million, which has been credited directly to equity.

8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 3 June 2015. This included our suggestions on possible ways to strengthen and/or improve procedures and management's comments and proposed actions.

9. CONCLUSION

We wish to record our appreciation to your 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 SPENCER STEER

BRETT HANGER

Partner

Strathfield Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



Strathfield Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents	Page
1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	n/a
Income Statement - Sewerage Business Activity	n/a
Income Statement - Other Business Activities	3
Statement of Financial Position - Water Supply Business Activity	n/a
Statement of Financial Position - Sewerage Business Activity	n/a
Statement of Financial Position - Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Strathfield Municipal Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these Financial Statements:

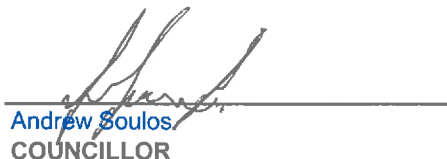
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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 01 September 2015.



Sang Ok
MAYOR



Andrew Soulos
COUNCILLOR



David Backhouse
GENERAL MANAGER



Les O'Donnell
RESPONSIBLE ACCOUNTING OFFICER

Strathfield Municipal Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

Hudson Park Golf
Course

Category 2

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	-	-
User charges	1,065	865
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	29	4
Total income from continuing operations	1,094	869
Expenses from continuing operations		
Employee benefits and on-costs	738	401
Borrowing costs	-	-
Materials and contracts	384	348
Depreciation and impairment	77	58
Bad & Doubtful Debts	395	34
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	110	117
Total expenses from continuing operations	1,704	958
Surplus (deficit) from Continuing Operations before capital amounts	(610)	(89)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(610)	(89)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(610)	(89)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(610)	(89)
plus Opening Retained Profits	3,035	2,729
plus/less: Prior Period Adjustments	-	395
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	2,425	3,035
Return on Capital %	-23.0%	-3.4%
Subsidy from Council	690	182

Strathfield Municipal Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

Hudson Park Golf Course

Category 2

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	-	98
Investments	-	-
Receivables	1	-
Inventories	19	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	20	98
Non-Current Assets		
Investments	-	-
Receivables	-	395
Inventories	-	-
Infrastructure, property, plant and equipment	2,648	2,621
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total Non-Current Assets	2,648	3,016
TOTAL ASSETS	2,668	3,114
LIABILITIES		
Current Liabilities		
Bank Overdraft	80	-
Payables	28	9
Interest bearing liabilities	-	-
Provisions	135	70
Total Current Liabilities	243	79
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	243	79
NET ASSETS	2,425	3,035
EQUITY		
Retained earnings	2,425	3,035
Revaluation reserves	-	-
Council equity interest	2,425	3,035
Non-controlling equity interest	-	-
TOTAL EQUITY	2,425	3,035

Strathfield Municipal Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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 financial year ended 30 June 2015

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 these special purpose financial statements, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and 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 on the "Application of National Competition Policy to Local Government".

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

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

Declared Business Activities

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

Category 1

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

Nil

Category 2

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

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 one 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,

Strathfield Municipal Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

the following taxation equivalents have been applied to all council nominated business activities (this does not include council's non-business activities):

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$432,000 of combined land values attracts 0%. From \$432,001 to \$2,641,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,641,000, 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.

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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 the 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 financial year ended 30 June 2015

Note 1. Significant Accounting Policies

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

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 2015, 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 Office 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.

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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.

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 I and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting

Without modifying our opinion, we draw attention to Note I 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 SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 8th day of October 2015

Strathfield Municipal Council

SPECIAL SCHEDULES
for the year ended 30 June 2015



Strathfield Municipal Council

Special Schedules

for the financial year ended 30 June 2015

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Special Schedules¹

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	n/a
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	n/a
- Special Schedule No. 4	Water Supply - Statement of Financial Position	n/a
- Special Schedule No. 5	Sewerage Service Operations - incl. Income Statement	n/a
- Special Schedule No. 6	Sewerage Service - Statement of Financial Position	n/a
- Notes to Special Schedules No. 3 & 5		n/a
- Special Schedule No. 7	Report on Infrastructure Assets (as at 30 June 2015)	4
- Special Schedule No. 8	Financial Projections	n/a
- Special Schedule No. 9	Permissible Income Calculation	8

¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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 No. 1 - Net Cost of Services
for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	255	-	-	(255)
Administration	7,434	1,555	840	(5,039)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	564	-	-	(564)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	754	780	-	26
Animal Control	46	19	-	(27)
Other	-	-	-	-
Total Public Order & Safety	1,364	799	-	(565)
Health	395	345	-	(50)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	57	-	19	(38)
Solid Waste Management	5,615	6,224	45	654
Street Cleaning	608	-	-	(608)
Drainage	77	148	-	71
Stormwater Management	-	-	-	-
Total Environment	6,357	6,372	64	79
Community Services and Education				
Administration & Education	523	219	-	(304)
Social Protection (Welfare)	3	-	-	(3)
Aged Persons and Disabled	159	168	-	9
Children's Services	126	180	-	54
Total Community Services & Education	811	567	-	(244)
Housing and Community Amenities				
Public Cemeteries	-	-	-	-
Public Conveniences	-	-	-	-
Street Lighting	690	128	-	(562)
Town Planning	821	29	-	(792)
Other Community Amenities	74	68	-	(6)
Total Housing and Community Amenities	1,585	225	-	(1,360)
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-

Strathfield Municipal Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,449	25	120	(1,304)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	189	188	781	780
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	2,170	-	-	(2,170)
Sporting Grounds and Venues	1,001	467	-	(534)
Swimming Pools	-	-	-	-
Parks & Gardens (Lakes)	2,394	890	3,862	2,358
Other Sport and Recreation	-	1,174	921	2,095
Total Recreation and Culture	7,203	2,744	5,684	1,225
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	736	-	-	(736)
Other Mining, Manufacturing & Construction	-	1,074	-	1,074
Total Mining, Manufacturing and Const.	736	1,074	-	338
Transport and Communication				
Urban Roads (UR) - Local	5,558	1,605	2,800	(1,153)
Urban Roads - Regional	94	-	167	73
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	-	136	-	136
Footpaths	414	5	-	(409)
Aerodromes	-	-	-	-
Other Transport & Communication	80	103	11	34
Total Transport and Communication	6,146	1,849	2,978	(1,319)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	141	1	-	(140)
Total Economic Affairs	141	1	-	(140)
Totals – Functions	32,427	15,531	9,566	(7,330)
General Purpose Revenues ⁽²⁾		17,590		17,590
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	32,427	33,121	9,566	10,260

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Strathfield Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings										
	Council Offices / Administration Centres	413	215	87	6,424	32%	61%	2%	5%	0%
	Council Works Depot	41	50	46	1,333	0%	30%	63%	7%	0%
	Council Public Halls	855	55	66	1,451	61%		6%	33%	0%
	Libraries	14	160	47	6,162	100%				0%
	Cultural Facilities	237	180	35	4,421	15%	36%	45%	4%	0%
	Other Buildings	282	95	197	1,860	25%	37%	28%	10%	0%
	Council House	487	25	8	230	10%	5%	40%	45%	0%
	sub total	2,329	780	486	21,881	46.9%	30.2%	16.7%	6.2%	0.0%
Roads										
	Sealed Roads Surface	778	310	188	7,467		7%	91%	1%	1%
	Sealed Roads Structure	-	30	-	42,278		62%	35%	2%	1%
	Bridges	-	20	-	1,044		3%	92%	5%	0%
	Footpaths	681	725	252	24,372	2%	9%	86%	2%	1%
	Kerb and Gutter	315	165	4	24,671		18%	81%	1%	0%
	Other Road Assets	-	160	82	7,970	10%	18%	67%	5%	0%
	sub total	1,774	1,410	526	107,802	1.2%	32.3%	63.9%	2.0%	0.7%

Strathfield Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Stormwater Drainage	Stormwater Conduits	1,307	410	35	32,416	0%	5%	89%	5%	1%
	Inlet and Junction Pits	10	45	13	4,523	33%	30%	35%	2%	0%
	sub total	1,317	455	48	36,939	4.0%	8.1%	82.4%	4.6%	0.9%
Open Space/ Recreational Assets	Park Furniture	7	165	3	2,121	27%	51%	22%		0%
	Play Equipment	-	-	62	1,364	27%	51%	22%		0%
	sub total	7	165	65	3,485	27.0%	51.0%	22.0%	0.0%	0.0%
	TOTAL - ALL ASSETS	5,427	2,810	1,125	170,107	8.2%	27.2%	61.0%	3.0%	0.6%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Strathfield Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Amounts 2015	Indicator 2015	Prior Periods	
			2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
<u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u>	<u>1,547</u>	47.27%	44.72%	81.54%
Depreciation, Amortisation & Impairment	3,273			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>5,427</u>			
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>171,001</u>	3.17%	2.80%	2.66%
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>1,125</u>			
Required Asset Maintenance	2,810	0.40	0.69	0.75
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>2,852</u>			
Annual Depreciation	4,351	0.66	1.12	1.12

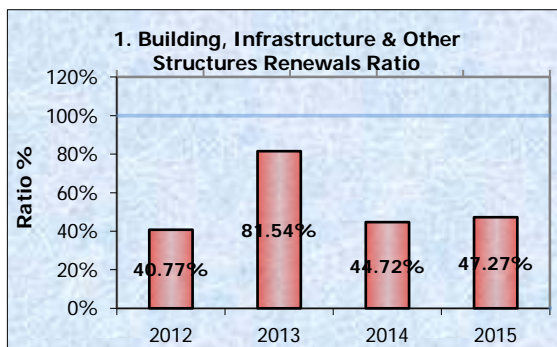
Notes

⁽¹⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Strathfield Municipal Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



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.

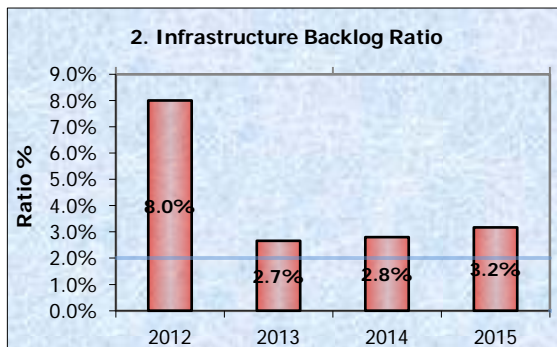
Commentary on 2014/15 Result

2014/15 Ratio 47.27%

Council is committed to addressing building and infrastructure renewals and maintaining financial sustainability.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within 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.

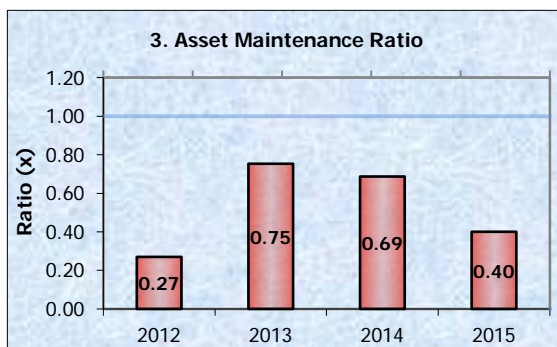
Commentary on 2014/15 Result

2014/15 Ratio 3.17%

Council has maintained its proportion of asset backlog and will continue to focus on asset expenditure.

Benchmark: ——— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within 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.

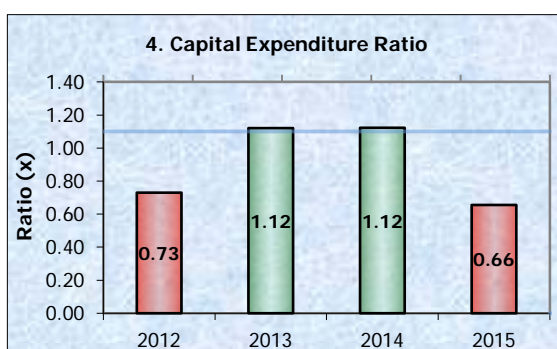
Commentary on 2014/15 Result

2014/15 Ratio 0.40 x

Council acknowledges its Asset Maintenance Ratio is below benchmark. Council is continually focussing on asset expenditure in relation to asset backlog and maintenance.

Benchmark: ——— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



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 2014/15 Result

2014/15 Ratio 0.66 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 #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Strathfield Municipal Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	15,160	15,686
Plus or minus Adjustments ⁽²⁾	b	173	119
Notional General Income	c = (a + b)	<u>15,333</u>	<u>15,805</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	2.40%
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	353	379
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>15,686</u>	<u>16,184</u>
plus (or minus) last year's Carry Forward Total	l	0	-
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	-	-
Total Permissible income	o = k + n	<u>15,686</u>	<u>16,184</u>
less Notional General Income Yield	p	15,686	16,184
Catch-up or (excess) result	q = o - p	-	0
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	-	0

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- 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.
- 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 councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.

STRATHFIELD MUNICIPAL COUNCIL

SPECIAL SCHEDULE NO. 9

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Strathfield Municipal Council for the year ending 30 June 2016.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. 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. 9 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. 9 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. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, 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. 9.

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.

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In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.

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. 9 of Strathfield Municipal Council for 2015/16 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 SPENCER STEER



BRETT HANGER

Partner

Dated at Sydney this 8th day of October 2015