

# Strathfield Municipal Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Strathfield Municipal Council

## General Purpose Financial Statements for the year ended 30 June 2017

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### Overview

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

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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 30 October 2017. Council has the power to amend and reissue these financial statements.
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## Strathfield Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2017

#### Understanding Council's financial statements

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##### Introduction

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

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

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

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

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

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

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

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

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

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

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

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

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

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

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

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

## Strathfield Municipal Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

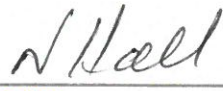
**To the best of our knowledge and belief, these financial statements:**

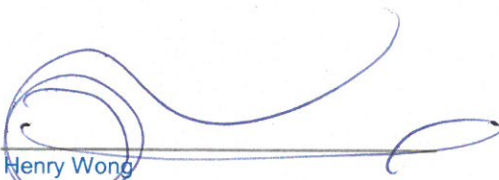
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

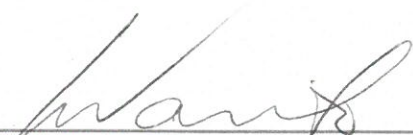
**We are not aware of any matter that would render these statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 03 October 2017.**

  
\_\_\_\_\_  
Giulian Vaccari  
Mayor

  
\_\_\_\_\_  
Nella Hall  
Councillor

  
\_\_\_\_\_  
Henry Wong  
General manager

  
\_\_\_\_\_  
Jenny Nascimento  
Responsible accounting officer

## Strathfield Municipal Council

## Income Statement

for the year ended 30 June 2017

Budget <sup>1</sup>				Actual	Actual
2017	\$ '000		Notes	2017	2016
<b>Income from continuing operations</b>					
<b>Revenue:</b>					
23,133	Rates and annual charges		3a	23,310	22,763
5,448	User charges and fees		3b	4,592	4,505
1,104	Interest and investment revenue		3c	1,519	1,497
1,232	Other revenues		3d	2,404	1,288
3,232	Grants and contributions provided for operating purposes		3e,f	4,033	3,805
2,865	Grants and contributions provided for capital purposes		3e,f	7,471	6,774
<b>Other income:</b>					
135	Net gains from the disposal of assets		5	–	59
<b>37,149</b>	<b>Total income from continuing operations</b>			<b>43,329</b>	<b>40,691</b>
<b>Expenses from continuing operations</b>					
14,377	Employee benefits and on-costs		4a	13,175	12,480
–	Borrowing costs		4b	–	–
8,437	Materials and contracts		4c	7,993	8,125
4,836	Depreciation and amortisation		4d	5,241	5,081
–	Impairment		4d	–	–
8,431	Other expenses		4e	7,697	7,735
–	Net losses from the disposal of assets		5	320	–
<b>36,081</b>	<b>Total expenses from continuing operations</b>			<b>34,426</b>	<b>33,421</b>
<b>1,068</b>	<b>Operating result from continuing operations</b>			<b>8,903</b>	<b>7,270</b>
<b>1,068</b>	<b>Net operating result for the year</b>			<b>8,903</b>	<b>7,270</b>
1,068	Net operating result attributable to Council			8,903	7,270
–	Net operating result attributable to non-controlling interests			–	–
<b>(1,797)</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>			<b>1,432</b>	<b>496</b>

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

## Strathfield Municipal Council

Statement of Comprehensive Income  
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>8,903</b>	<b>7,270</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	14,942	12,367
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>14,942</b>	<b>12,367</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>14,942</b>	<b>12,367</b>
<b>Total comprehensive income for the year</b>		<b>23,845</b>	<b>19,637</b>
<b>Total comprehensive income attributable to Council</b>		<b>23,845</b>	<b>19,637</b>

## Strathfield Municipal Council

## Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	41,288	10,664
Investments	6b	17,000	42,500
Receivables	7	3,239	2,977
Inventories	8	137	132
Other	8	107	61
<b>Total current assets</b>		<b>61,771</b>	<b>56,334</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	55	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	299,123	278,684
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>299,178</b>	<b>278,684</b>
<b>TOTAL ASSETS</b>		<b>360,949</b>	<b>335,018</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	11,026	9,375
Income received in advance	10	197	149
Borrowings	10	14	–
Provisions	10	3,617	3,022
<b>Total current liabilities</b>		<b>14,854</b>	<b>12,546</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Income received in advance	10	–	–
Borrowings	10	–	–
Provisions	10	135	357
<b>Total non-current liabilities</b>		<b>135</b>	<b>357</b>
<b>TOTAL LIABILITIES</b>		<b>14,989</b>	<b>12,903</b>
<b>Net assets</b>		<b>345,960</b>	<b>322,115</b>
<b>EQUITY</b>			
Retained earnings	20	186,284	177,381
Revaluation reserves	20	159,676	144,734
Other reserves	20	–	–
Council equity interest		345,960	322,115
Non-controlling equity interests		–	–
<b>Total equity</b>		<b>345,960</b>	<b>322,115</b>

## Strathfield Municipal Council

Statement of Changes in Equity  
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		177,381	144,734	–	<b>322,115</b>	–	<b>322,115</b>	170,416	132,062	–	<b>302,478</b>	–	<b>302,478</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Revised opening balance</b>		<b>177,381</b>	<b>144,734</b>	<b>–</b>	<b>322,115</b>	<b>–</b>	<b>322,115</b>	<b>170,416</b>	<b>132,062</b>	<b>–</b>	<b>302,478</b>	<b>–</b>	<b>302,478</b>
<b>c. Net operating result for the year</b>		<b>8,903</b>	<b>–</b>	<b>–</b>	<b>8,903</b>	<b>–</b>	<b>8,903</b>	7,270	–	–	<b>7,270</b>	–	<b>7,270</b>
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	14,942	–	<b>14,942</b>	–	<b>14,942</b>	–	12,367	–	<b>12,367</b>	–	<b>12,367</b>
– Revaluations: other reserves	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)	–	–	–	–	–	–	–	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>14,942</b>	<b>–</b>	<b>14,942</b>	<b>–</b>	<b>14,942</b>	<b>–</b>	<b>12,367</b>	<b>–</b>	<b>12,367</b>	<b>–</b>	<b>12,367</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>8,903</b>	<b>14,942</b>	<b>–</b>	<b>23,845</b>	<b>–</b>	<b>23,845</b>	<b>7,270</b>	<b>12,367</b>	<b>–</b>	<b>19,637</b>	<b>–</b>	<b>19,637</b>
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	(305)	305	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>186,284</b>	<b>159,676</b>	<b>–</b>	<b>345,960</b>	<b>–</b>	<b>345,960</b>	<b>177,381</b>	<b>144,734</b>	<b>–</b>	<b>322,115</b>	<b>–</b>	<b>322,115</b>



## Strathfield Municipal Council

Statement of Cash Flows  
for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
22,811	Rates and annual charges		23,883	22,492
6,002	User charges and fees		4,473	5,088
957	Investment and interest revenue received		1,835	1,451
4,594	Grants and contributions		11,437	10,448
–	Bonds, deposits and retention amounts received		970	1,478
1,292	Other		4,018	2,863
<b>Payments:</b>				
(14,647)	Employee benefits and on-costs		(12,635)	(12,518)
(6,534)	Materials and contracts		(8,755)	(8,641)
–	Bonds, deposits and retention amounts refunded		(848)	(545)
(8,375)	Other		(9,441)	(8,692)
<b>6,100</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>14,937</b>	<b>13,424</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		58,500	34,500
137	Sale of infrastructure, property, plant and equipment		906	1,256
<b>Payments:</b>				
–	Purchase of investment securities		(33,000)	(42,500)
(11,613)	Purchase of infrastructure, property, plant and equipment		(10,733)	(5,589)
<b>(11,476)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>15,673</b>	<b>(12,333)</b>
<b>Cash flows from financing activities</b>				
Nil				
<b>(5,376)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>30,610</b>	<b>1,092</b>
43,397	Plus: <b>cash and cash equivalents – beginning of year</b>	11a	10,664	9,572
<b>38,021</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>41,274</b>	<b>10,664</b>
Additional Information:				
	plus: <b>Investments on hand – end of year</b>	6b	17,000	42,500
<b>Total cash, cash equivalents and investments</b>			<b>58,274</b>	<b>53,164</b>
<b>Please refer to Note 11 for information on the following:</b>				
– Non-cash financing and investing activities				
– Financing arrangements				
– Net cash flow disclosures relating to any discontinued operations				

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### (a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

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

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

##### (ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

##### (iii) Historical cost convention

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

##### (iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

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

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of

causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

##### **Significant judgements in applying the Council's accounting policies**

- (i) Impairment of Receivables

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

##### (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 the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

##### (i) Rates, annual charges, grants and contributions

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount

# Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

#### (ii) User charges and fees

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

#### (iii) 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.

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Dividend income

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

#### (vii) 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

#### (i) The Consolidated Fund

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

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

#### (iii) County Councils

Council is not a member of any county councils.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

#### (d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

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

#### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

#### (f) Cash and cash equivalents

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

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

#### (g) Inventories

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

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

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

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

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

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

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

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

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

###### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

###### (ii) 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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

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

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the

effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

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

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

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

###### (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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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

###### Recognition and de-recognition

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

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

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

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



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

##### Impairment

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

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

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

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

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial

reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

##### Investment Policy

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

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

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

##### (j) Fair value estimation – financial instruments

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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.

#### (k) Infrastructure, property, plant and equipment (IPPE)

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

##### Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage

##### As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other open space/recreational assets
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

#### Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

##### Plant & 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 to 35 years
- Sealed Roads: Structure	100 years
- Bridges	80 years
- Kerb, Gutter & Paths	50 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

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



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### (l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

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

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

##### (m) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

##### (n) Borrowings

Council does not have any Loans.

##### (o) Borrowing costs

Nil

##### (p) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required

to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

##### (q) Employee benefits

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

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

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

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

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

###### (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.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

##### Defined Benefit Plans

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

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

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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 Richard Boyfield FIAA (AFS Licence # 411770) on 2/12/16 and covers the period ended 30/06/17.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 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 2017 was \$ 165,857.

The amount of additional contributions included in the total employer contribution advised above is \$ 159,153.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$127,589 as at 30 June 2017.

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.

##### (r) Land under roads

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

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

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

##### (s) Self-insurance

Council does not self-insure.

##### (t) Intangible assets

Council has not classified any assets as intangible.

##### (u) 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.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### (v) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"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 Services assets.

##### (w) Goods and Services Tax (GST)

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

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

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

##### (x) New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

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

- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities

Effective for annual reporting periods beginning on or after 13 February 2017

- AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle

Effective for annual reporting periods beginning on or after 13 December 2017

- AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

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

- AASB 9 Financial Instruments (December 2009)
- AASB 15 Revenue from Contracts with Customers
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 1057 Application of Australian Accounting Standards
- AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15
- AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

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

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##### **(y) Rounding of amounts**

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

##### **(z) 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.

##### **(aa) Disclaimer**

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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 and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	447	516	553	(447)	(516)	(553)	–	–	–	–
Administration	2,174	2,565	2,077	5,560	4,397	6,490	(3,386)	(1,832)	(4,413)	–	10	77,073	56,407
Public order and safety	826	904	657	1,200	1,529	1,365	(374)	(625)	(708)	–	–	38	452
Health	162	167	393	3	780	517	159	(613)	(124)	–	230	–	–
Environment	8,288	8,294	7,516	10,215	8,691	6,775	(1,927)	(397)	741	681	705	38,502	36,418
Community services and education	202	207	494	700	997	1,085	(498)	(790)	(591)	174	147	2,966	2,226
Housing and community amenities	128	861	241	1,435	1,375	1,318	(1,307)	(514)	(1,077)	128	–	4,720	19,318
Recreation and culture	2,931	7,834	8,491	8,857	8,482	8,290	(5,926)	(648)	201	218	109	77,185	74,434
Mining, manufacturing and construction	1,108	1,033	908	1,748	2,623	863	(640)	(1,590)	45	–	–	–	–
Transport and communication	2,278	1,843	1,757	5,772	5,036	6,088	(3,494)	(3,193)	(4,331)	7	683	160,465	145,763
Economic affairs	–	22	–	144	–	77	(144)	22	(77)	–	–	–	–
<b>Total functions and activities</b>	<b>18,097</b>	<b>23,730</b>	<b>22,534</b>	<b>36,081</b>	<b>34,426</b>	<b>33,421</b>	<b>(17,984)</b>	<b>(10,696)</b>	<b>(10,887)</b>	<b>1,208</b>	<b>1,884</b>	<b>360,949</b>	<b>335,018</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	19,052	19,599	18,157	–	–	–	19,052	19,599	18,157	1,739	1,186	–	–
<b>Operating result from continuing operations</b>	<b>37,149</b>	<b>43,329</b>	<b>40,691</b>	<b>36,081</b>	<b>34,426</b>	<b>33,421</b>	<b>1,068</b>	<b>8,903</b>	<b>7,270</b>	<b>2,947</b>	<b>3,070</b>	<b>360,949</b>	<b>335,018</b>

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

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

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

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

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

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

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

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

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

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

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

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

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

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

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

##### **ECONOMIC AFFAIRS**

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

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		11,306	10,953
Business		5,063	4,924
<b>Total ordinary rates</b>		<b>16,369</b>	<b>15,877</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,623	6,568
Stormwater management services		275	274
Section 611 charges		43	44
<b>Total annual charges</b>		<b>6,941</b>	<b>6,886</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>23,310</b>	<b>22,763</b>

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		25	–
Waste management services (non-domestic)		175	205
<b>Total user charges</b>		<b>200</b>	<b>205</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Inspection services		67	59
Planning and building regulation		921	1,408
Section 149 certificates (EPA Act)		112	132
Section 603 certificates		59	62
Health act		167	163
Other		11	4
<b>Total fees and charges – statutory/regulatory</b>		<b>1,337</b>	<b>1,828</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Community centres		205	185
Companion animals		14	15
Community services		33	23
Fire and emergency services levy (FESL) implementation		223	–
Hudson park golf course		669	953
Lease rentals and Hall Hire		45	–
Leaseback fees – Council vehicles		161	35
Library		25	18
Other property rentals		497	483
Park and Sporting Ground rents		436	318
Restoration charges		226	64
Credit Card Service Fee		38	33
Hoarding Income		58	–
Work Zone Parking and Standing Plant Permits		141	58
Festivals and Events		23	19
Pipeline Charges		90	85
Privately funded Works and Anchor Work Permits		43	52
Partial Road Closure		52	–
Road Opening Permits		47	131
Other		29	–
<b>Total fees and charges – other</b>		<b>3,055</b>	<b>2,472</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>4,592</b>	<b>4,505</b>



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		63	55
– Interest earned on investments (interest and coupon payment income)		1,456	1,442
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>1,519</b>	<b>1,497</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		63	55
General Council cash and investments		1,134	749
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		322	579
Domestic waste management operations		–	114
<b>Total interest and investment revenue recognised</b>		<b>1,519</b>	<b>1,497</b>
<b>(d) Other revenues</b>			
Ex gratia rates		294	290
Fines – Compliance and Environmental		131	1
Fines – parking		939	571
Fines – other		12	11
Legal fees recovery – rates and charges (extra charges)		342	–
Legal fees recovery – other		54	55
Carbon tax rebate		–	156
Diesel rebate		59	–
Events sponsorship		13	12
Insurance claim recoveries		208	14
Insurance incentives		88	11
Nursery sales		15	11
Other corporate income		32	50
Utilities reimbursements		30	17
Other		187	89
<b>TOTAL OTHER REVENUE</b>		<b>2,404</b>	<b>1,288</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	1,217	800	–	–
Financial assistance – local roads component	408	270	–	–
Pensioners' rates subsidies – general component	114	116	–	–
<b>Total general purpose</b>	<b>1,739</b>	<b>1,186</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Domestic waste management	59	61	–	–
Aged care	167	169	–	–
Community care	2	147	–	–
Environmental protection	471	673	–	–
Heritage and cultural	5	–	–	–
Library	74	73	–	36
Library – per capita	37	–	–	–
Noxious weeds	30	32	–	–
Planning	–	10	–	–
Recreation and culture	107	–	–	–
Road safety	–	42	–	–
Street lighting	128	128	–	–
Transport (roads to recovery)	7	502	–	–
Transport (other roads and bridges funding)	–	11	–	–
Other – waste	121	–	–	–
<b>Total specific purpose</b>	<b>1,208</b>	<b>1,848</b>	<b>–</b>	<b>36</b>
<b>Total grants</b>	<b>2,947</b>	<b>3,034</b>	<b>–</b>	<b>36</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	2,400	2,353	–	–
– State funding	547	681	–	36
	<b>2,947</b>	<b>3,034</b>	<b>–</b>	<b>36</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	169	68	7,471	6,738
<b>Total developer contributions</b> 17	<b>169</b>	<b>68</b>	<b>7,471</b>	<b>6,738</b>
<b>Other contributions:</b>				
Cooks river alliance	386	428	–	–
RMS contributions (regional roads, block grant)	501	275	–	–
Other	30	–	–	–
<b>Total other contributions</b>	<b>917</b>	<b>703</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>1,086</b>	<b>771</b>	<b>7,471</b>	<b>6,738</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>4,033</b>	<b>3,805</b>	<b>7,471</b>	<b>6,774</b>

\$ '000	Actual 2017	Actual 2016
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	29,276	23,798
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	9,369	8,201
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(5,088)	(2,723)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>4,281</b>	<b>5,478</b>
<b>Unexpended and held as restricted assets</b>	<b>33,557</b>	<b>29,276</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,630	1,357
– Developer contributions	31,927	27,919
	<b>33,557</b>	<b>29,276</b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		10,157	9,488
Employee termination costs (where material – other than vested leave paid)		103	–
Travel expenses		468	403
Employee leave entitlements (ELE)		2,002	1,906
Superannuation		1,196	1,101
Workers' compensation insurance		475	402
Fringe benefit tax (FBT)		100	117
Training costs (other than salaries and wages)		153	106
Protective clothing		–	23
Other		23	9
<b>Total employee costs</b>		<b>14,677</b>	<b>13,555</b>
Less: capitalised costs		(1,502)	(1,075)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>13,175</b>	<b>12,480</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>195</b>	<b>145</b>

#### (b) Borrowing costs

Nil

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		3,488	3,712
Contractor and consultancy costs		1,740	1,218
– Contract relief staff		939	1,496
– Street and gutter cleaning		476	534
– Strategic planning consultants		–	6
Auditors remuneration <sup>(1)</sup>		102	83
Infringement notice contract costs (SEINS)		149	97
Legal expenses:			
– Legal expenses: planning and development		312	446
– Legal expenses: debt recovery		395	39
– Legal expenses: other		303	433
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		89	61
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>7,993</b>	<b>8,125</b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		61	–
<b>Remuneration for audit and other assurance services</b>		<b>6%</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>6%</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		19	38
– Internal audit		22	34
<b>Remuneration for audit and other assurance services</b>		<b>4%</b>	<b>72</b>
<b>(ii) Other non-assurance services</b>			
– Other services		–	11
<b>Remuneration for other services</b>		<b>–</b>	<b>11</b>
<b>Total remuneration of other Council's Auditors</b>		<b>4%</b>	<b>83</b>
<b>Total Auditor remuneration</b>		<b>102</b>	<b>83</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		89	61
		<b>89</b>	<b>61</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		801	672
Office equipment		175	150
Land improvements (depreciable)		20	29
Park assets		750	739
Infrastructure:			
– Buildings – non-specialised		116	116
– Buildings – specialised		524	527
– Roads		1,706	1,711
– Bridges		51	51
– Footpaths		420	412
– Stormwater drainage		528	528
Other assets			
– Library books		102	100
– Other		48	46
<b>Total gross depreciation and amortisation costs</b>		<b>5,241</b>	<b>5,081</b>
Less: capitalised costs		–	–
<b>Total depreciation and amortisation costs</b>		<b>5,241</b>	<b>5,081</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>5,241</u></b>	<b><u>5,081</u></b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		210	494
Bad and doubtful debts		(227)	42
Bank charges		74	64
Cleaning		271	190
Contributions/levies to other levels of government			
– Department of planning levy		88	86
– NSW fire brigade levy		556	594
Councillor expenses – mayoral fee		41	71
Councillor expenses – councillors' fees		130	129
Councillors' expenses (incl. mayor) – other (excluding fees above)		41	40
Donations, contributions and assistance to other organisations (Section 356)		82	43
Electricity and heating		440	408
Fire and emergency services levy (FESL) implementation costs		143	–
Insurance		424	495
Office expenses (including computer expenses)		467	103
Postage		121	73
Printing and stationery		142	154
Security		33	42
Street lighting		652	633
Subscriptions and publications		49	48
Telephone and communications		133	276
Valuation fees		60	47
Waste disposal – tipping fees		3,682	3,703
Other		85	–
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>7,697</u></b>	<b><u>7,735</u></b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		858	490
Less: carrying amount of plant and equipment assets sold/written off		(572)	(417)
<b>Net gain/(loss) on disposal</b>		<b>286</b>	<b>73</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		48	–
Less: carrying amount of infrastructure assets sold/written off		(600)	–
<b>Net gain/(loss) on disposal</b>		<b>(552)</b>	<b>–</b>
<b>Financial assets</b>			
Proceeds from disposal/redemptions/maturities – financial assets		58,500	34,500
Less: carrying amount of financial assets sold/redeemed/matured		(58,500)	(34,500)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>Other (land &amp; building)</b>			
Proceeds from disposal – Other (land & building)		–	766
Less: carrying amount of Other (land & building) assets sold/written off		(54)	(780)
<b>Net gain/(loss) on disposal</b>		<b>(54)</b>	<b>(14)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(320)</b>	<b>59</b>



## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		6	–	286	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		11,282	–	4,500	–
– Managed funds		–	–	5,878	–
– Short-term deposits		30,000	–	–	–
<b>Total cash and cash equivalents</b>		<b>41,288</b>	<b>–</b>	<b>10,664</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		17,000	–	42,500	–
<b>Total investments</b>		<b>17,000</b>	<b>–</b>	<b>42,500</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>58,288</b>	<b>–</b>	<b>53,164</b>	<b>–</b>

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

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

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'	<b>41,288</b>	<b>–</b>	<b>10,664</b>	<b>–</b>
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**Investments**

a. 'Held to maturity'	17,000	–	42,500	–
<b>Investments</b>	<b>17,000</b>	<b>–</b>	<b>42,500</b>	<b>–</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	58,288	–	53,164	–
<b>attributable to:</b>				
External restrictions (refer below)	38,079	–	35,191	–
Internal restrictions (refer below)	14,206	–	16,544	–
Unrestricted	6,003	–	1,429	–
	<b>58,288</b>	<b>–</b>	<b>53,164</b>	<b>–</b>
<b>2017</b>	<b>Opening</b>	<b>Transfers to</b>	<b>Transfers from</b>	<b>Closing</b>
<b>\$ '000</b>	<b>balance</b>	<b>restrictions</b>	<b>restrictions</b>	<b>balance</b>
Details of restrictions				
<b>External restrictions – included in liabilities</b>				
Nil				
<b>External restrictions – other</b>				
Developer contributions – general (A)	27,919	7,962	(3,954)	31,927
RMS (formerly RTA) contributions (B)	99	–	(99)	–
Specific purpose unexpended grants (C)	1,258	372	–	1,630
Domestic waste management (D)	5,227	–	(1,659)	3,568
Stormwater management (D)	688	275	(9)	954
<b>External restrictions – other</b>	<b>35,191</b>	<b>8,609</b>	<b>(5,721)</b>	<b>38,079</b>
<b>Total external restrictions</b>	<b>35,191</b>	<b>8,609</b>	<b>(5,721)</b>	<b>38,079</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement	1,205	–	(75)	1,130
Employees leave entitlement	1,285	–	–	1,285
Carry over works	2,147	–	(1,409)	738
Deposits, retentions and bonds	6,985	124	(124)	6,985
Adshel (bus shelters)	270	–	–	270
Election	150	50	–	200
Future major expenditure	3,557	–	(541)	3,016
Hudson golf course	94	–	(94)	–
Parkscape improvements	29	–	–	29
Risk management	212	18	(35)	195
Technology	610	–	(252)	358
<b>Total internal restrictions</b>	<b>16,544</b>	<b>192</b>	<b>(2,530)</b>	<b>14,206</b>
<b>TOTAL RESTRICTIONS</b>	<b>51,735</b>	<b>8,801</b>	<b>(8,251)</b>	<b>52,285</b>

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

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

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

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		640	55	1,268	–
Interest and extra charges		65	–	147	–
User charges and fees		792	–	469	–
Accrued revenues					
– Interest on investments		458	–	692	–
– Other income accruals		445	–	139	–
Government grants and subsidies		326	–	259	–
Net GST receivable		452	–	244	–
Other debtors		75	–	–	–
<b>Total</b>		<b>3,253</b>	<b>55</b>	<b>3,218</b>	<b>–</b>
<b>Less: provision for impairment</b>					
User charges and fees		(14)	–	(241)	–
<b>Total provision for impairment – receivables</b>		<b>(14)</b>	<b>–</b>	<b>(241)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>3,239</u></b>	<b><u>55</u></b>	<b><u>2,977</u></b>	<b><u>–</u></b>

There are no restrictions applicable to the above assets.

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		137	–	132	–
<b>Total inventories at cost</b>		<b>137</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>137</b>	<b>–</b>	<b>132</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		107	–	61	–
<b>TOTAL OTHER ASSETS</b>		<b>107</b>	<b>–</b>	<b>61</b>	<b>–</b>

#### Externally restricted assets

There are no restrictions applicable to the above assets.

#### Other disclosures

#### Inventory write downs

\$7,695 was recognised as an expense relating to the write down of inventory balances held during the year.

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

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	832	–	832	389	415	–	–	(763)	–	–	873	–	873
Plant and equipment	5,663	3,535	2,128	–	3,175	(572)	(801)	–	–	–	7,133	3,204	3,929
Office equipment	1,995	1,421	574	–	528	–	(175)	–	–	–	2,524	1,596	928
<b>Land:</b>													
– Operational land	32,885	–	32,885	–	–	–	–	–	(781)	–	32,104	–	32,104
– Community land	28,662	–	28,662	–	–	–	–	–	781	14,942	44,385	–	44,385
Land improvements – depreciable	947	111	836	751	97	–	(20)	365	–	–	2,125	97	2,028
Park assets	19,081	7,688	11,393	3,323	1,015	(376)	(750)	325	–	–	22,948	8,019	14,929
<b>Infrastructure:</b>													
– Buildings – non-specialised	6,296	2,879	3,417	121	180	–	(116)	73	–	–	6,670	2,995	3,675
– Buildings – specialised	30,420	12,180	18,240	539	–	(54)	(524)	–	–	–	30,782	12,580	18,202
– Roads	118,879	36,449	82,430	683	–	(73)	(1,706)	–	–	–	119,350	38,016	81,334
– Bridges	14,227	9,648	4,579	–	–	–	(51)	–	–	–	14,227	9,698	4,529
– Footpaths	33,619	8,959	24,660	595	–	(151)	(420)	–	–	–	33,992	9,308	24,684
– Bulk earthworks (non-depreciable)	31,065	–	31,065	–	–	–	–	–	–	–	31,065	–	31,065
– Stormwater drainage	56,659	20,248	36,411	–	–	–	(528)	–	–	–	56,659	20,776	35,883
<b>Other assets:</b>													
– Library books	1,454	1,128	326	–	153	–	(102)	–	–	–	1,606	1,229	377
– Other	923	677	246	–	–	–	(48)	–	–	–	922	724	198
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>383,607</b>	<b>104,923</b>	<b>278,684</b>	<b>6,401</b>	<b>5,563</b>	<b>(1,226)</b>	<b>(5,241)</b>	<b>–</b>	<b>–</b>	<b>14,942</b>	<b>407,365</b>	<b>108,242</b>	<b>299,123</b>

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

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

## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Domestic waste management</b>						
Plant and equipment	1,986	1,198	<b>788</b>	1,708	1,270	<b>438</b>
Other assets	745	584	<b>161</b>	922	677	<b>245</b>
<b>Total DWM</b>	<b>2,731</b>	<b>1,782</b>	<b>949</b>	<b>2,630</b>	<b>1,947</b>	<b>683</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>2,731</b>	<b>1,782</b>	<b>949</b>	<b>2,630</b>	<b>1,947</b>	<b>683</b>

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

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		1,550	–	1,577	–
Goods and services – capital expenditure		1,701	–	470	–
Accrued expenses:					
– Salaries and wages		550	–	343	–
– Other expenditure accruals		118	–	–	–
Security bonds, deposits and retentions		7,107	–	6,985	–
<b>Total payables</b>		<b>11,026</b>	<b>–</b>	<b>9,375</b>	<b>–</b>
<b>Income received in advance</b>					
Payments received in advance		197	–	149	–
<b>Total income received in advance</b>		<b>197</b>	<b>–</b>	<b>149</b>	<b>–</b>
<b>Borrowings</b>					
Bank overdraft		14	–	–	–
<b>Total borrowings</b>		<b>14</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,270	–	1,250	–
Sick leave		116	–	114	–
Long service leave		1,982	135	1,365	357
ELE on-costs		249	–	293	–
<b>Total provisions</b>		<b>3,617</b>	<b>135</b>	<b>3,022</b>	<b>357</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>14,854</b>	<b>135</b>	<b>12,546</b>	<b>357</b>

**(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 year ended 30 June 2017

## Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	2,409	1,014
Payables – security bonds, deposits and retentions	5,900	5,235
	<u>8,309</u>	<u>6,249</u>

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

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	1,250	824	(846)	42	–	1,270
Sick leave	114	–	–	2	–	116
Long service leave	1,722	821	(324)	(102)	–	2,117
ELE on-costs	293	–	–	(44)	–	249
<b>TOTAL</b>	<b>3,379</b>	<b>1,645</b>	<b>(1,170)</b>	<b>(102)</b>	<b>–</b>	<b>3,752</b>

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



## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	41,288	10,664
Less bank overdraft	10	(14)	–
<b>Balance as per the Statement of Cash Flows</b>		<b>41,274</b>	<b>10,664</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>8,903</b>	<b>7,270</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		5,241	5,081
Net losses/(gains) on disposal of assets		320	(59)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(90)	28
Increase/(decrease) in provision for doubtful debts		(227)	(217)
Decrease/(increase) in inventories		(5)	(54)
Decrease/(increase) in other assets		(46)	52
Increase/(decrease) in payables		(27)	390
Increase/(decrease) in other accrued expenses payable		325	92
Increase/(decrease) in other liabilities		170	931
Increase/(decrease) in employee leave entitlements		373	(90)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>14,937</b>	<b>13,424</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		14	–
Credit cards/purchase cards		37	34
<b>Total financing arrangements</b>		<b>51</b>	<b>34</b>
<b>Amounts utilised as at balance date:</b>			
– Bank overdraft facilities		14	–
– Credit cards/purchase cards		11	9
<b>Total financing arrangements utilised</b>		<b>25</b>	<b>9</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

## Strathfield Municipal Council

### Notes to the Financial Statements for the year ended 30 June 2017

#### Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
All assets		1,703	–
<b>Total commitments</b>		<b>1,703</b>	<b>–</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,703	–
<b>Total payable</b>		<b>1,703</b>	<b>–</b>
<b>Sources for funding of capital commitments:</b>			
Sect 64 and 94 funds/reserves		1,703	–
<b>Total sources of funding</b>		<b>1,703</b>	<b>–</b>

#### (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	43	99
Later than one year and not later than 5 years	7	140
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>50</b>	<b>239</b>

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

Computers & Photocopiers

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

##### Conditions relating to operating leases:

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

#### (d) Investment property commitments

Nil

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>1,752</u>	<b>4.89%</b>	1.29%	1.94%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>35,858</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>31,825</u>	<b>73.45%</b>	73.96%	70.63%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>43,329</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>23,692</u>	<b>3.62x</b>	3.36x	3.23x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>6,545</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>6,993</u>	<b>0.00x</b>	0.00x	0.00x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>–</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>760</u>	<b>3.02%</b>	5.90%	5.09%	< 5% Metro
Rates, annual and extra charges collectible	<u>25,130</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>58,288</u>	<b>22.08 mths</b>	21.0 mths	16.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>2,640</u>				

## 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 and associates.

(2) Refer Notes 6-8 inclusive.

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

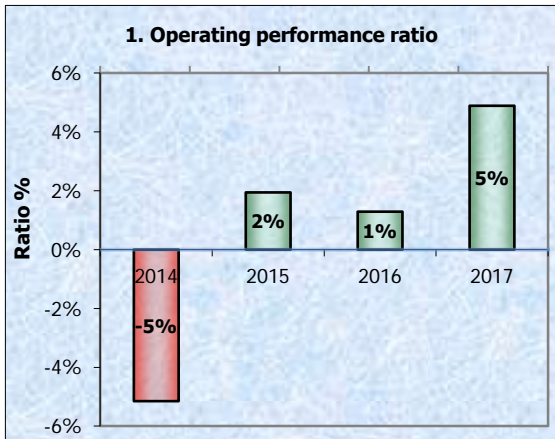
(3) Refer to Note 10(a).

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

# Strathfield Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2017

### 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 2016/17 result**

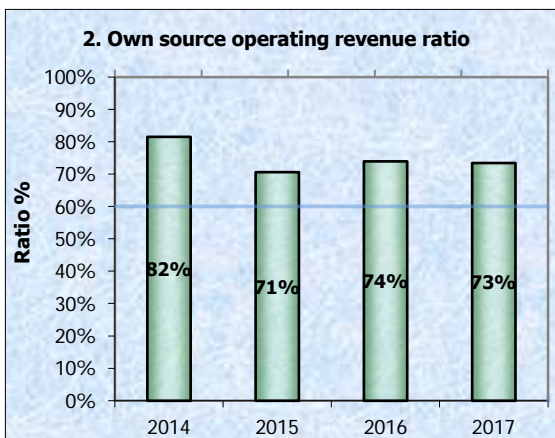
**2016/17 ratio 4.89%**

Council has exceeded the benchmark of 0% by delivering a positive surplus before capital income

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2016/17 result**

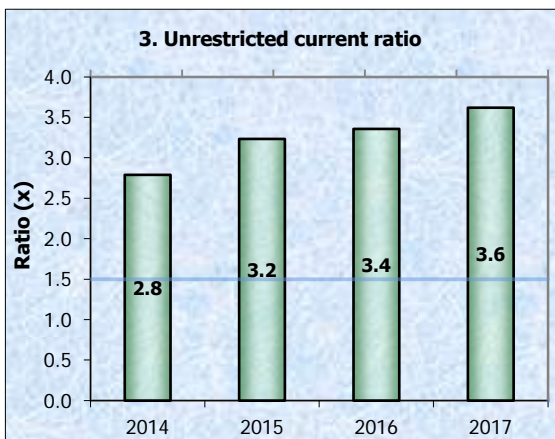
**2016/17 ratio 73.45%**

The benchmark of 60% has been exceeded again. The last 4 year trend has delivered above 70%

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

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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



**Commentary on 2016/17 result**

**2016/17 ratio 3.62x**

Council has exceeded the benchmark of 1.5 X by more than double.

Benchmark: ——— Minimum  $\geq 1.50$

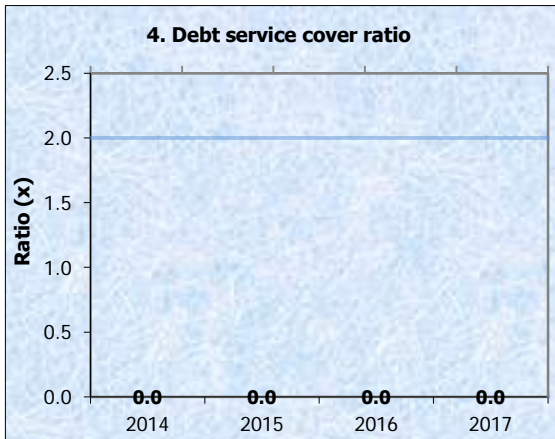
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Strathfield Municipal Council

## Notes to the Financial Statements for the year ended 30 June 2017

### 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 2016/17 result**

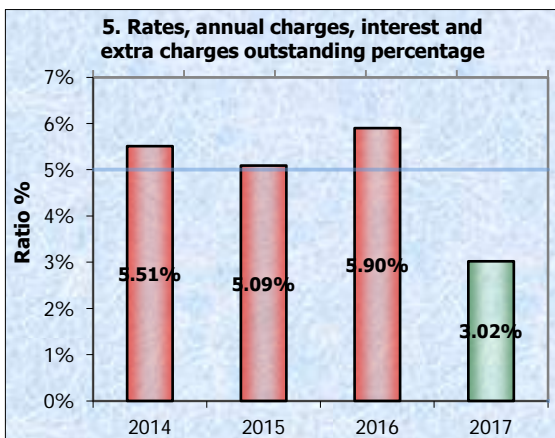
**2016/17 ratio 0.00x**

Council has no debt

Benchmark: ——— Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2016/17 result**

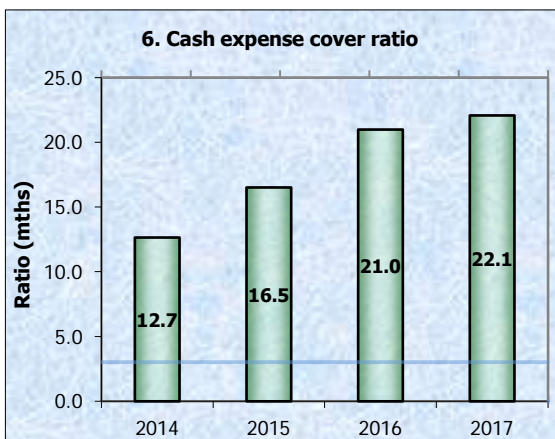
**2016/17 ratio 3.02%**

Council has seen a halving of the previous year's outstanding debt and it is now well below the benchmark of 5%

Benchmark: ——— Maximum <5.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result**

**2016/17 ratio 22.08 mths**

Council has seen a further increase in its cashflow leading to an increase in this KPI which was already in excess of the benchmark

Benchmark: ——— Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark  
 Ratio is outside benchmark

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### 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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

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

	Carrying value		Fair value	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	41,288	10,664	41,288	10,664
Investments				
– 'Held to maturity'	17,000	42,500	17,000	42,500
Receivables	3,294	2,977	3,294	2,977
<b>Total financial assets</b>	<b>61,582</b>	<b>56,141</b>	<b>61,582</b>	<b>56,141</b>
<b>Financial liabilities</b>				
Bank overdraft	14	–	14	–
Payables	11,026	9,375	11,026	9,375
<b>Total financial liabilities</b>	<b>11,040</b>	<b>9,375</b>	<b>11,040</b>	<b>9,375</b>

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and 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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2017</b>				
Possible impact of a 1% movement in interest rates	150	150	(150)	(150)
<b>2016</b>				
Possible impact of a 1% movement in interest rates	133	133	(133)	(133)



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### (b) Credit risk

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

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

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

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

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

The level of outstanding receivables is reported to Council's Executive 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:

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	61%	6%	23%
Overdue	100%	39%	94%	77%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables	Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>					
Current	–	1,757	–	1,629	
< 1 year overdue	640	397	1,268	–	
1 – 2 years overdue	55	69	–	63	
2 – 5 years overdue	–	156	–	26	
> 5 years overdue	–	234	–	232	
	<b>695</b>	<b>2,613</b>	<b>1,268</b>	<b>1,950</b>	

##### (iii) Movement in provision for impairment of receivables

	2017	2016
Balance at the beginning of the year	241	458
+ new provisions recognised during the year	–	41
– amounts already provided for and written off this year	–	(258)
– previous impairment losses reversed	(227)	–
<b>Balance at the end of the year</b>	<b>14</b>	<b>241</b>



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

##### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2017</b>									
Bank overdraft	14	–	–	–	–	–	–	14	14
Trade/other payables	7,107	3,919	–	–	–	–	–	11,026	11,026
<b>Total financial liabilities</b>	<b>7,121</b>	<b>3,919</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11,040</b>	<b>11,040</b>
<b>2016</b>									
Trade/other payables	6,985	2,390	–	–	–	–	–	9,375	9,375
<b>Total financial liabilities</b>	<b>6,985</b>	<b>2,390</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,375</b>	<b>9,375</b>

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	14	0.00%	–	0.00%
Trade/other payables	11,026	0.00%	9,375	0.00%
	<u>11,040</u>		<u>9,375</u>	

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 03 May 2016.

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

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

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

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>23,133</b>	<b>23,310</b>	<b>177</b>	1%	<b>F</b>
<b>User charges and fees</b>	<b>5,448</b>	<b>4,592</b>	<b>(856)</b>	(16%)	<b>U</b>
The major items were Hudson Park Golf Course and Driving Range income down due to major renewal works 509K, Development Approval fees were down 165K, Restorations down 202K, Food Administration fees down 86K					
<b>Interest and investment revenue</b>	<b>1,104</b>	<b>1,519</b>	<b>415</b>	38%	<b>F</b>
The increase was mainly due to increased developer contributions and better than anticipated interest rate returns					
<b>Other revenues</b>	<b>1,232</b>	<b>2,404</b>	<b>1,172</b>	95%	<b>F</b>
The main contributors to this increase were Fines up 389K, Insurance and Legal Fees recovered 298K, Workers comp and insurance rebates received 77K and Ex gratia payments 294K					
<b>Operating grants and contributions</b>	<b>3,232</b>	<b>4,033</b>	<b>801</b>	25%	<b>F</b>
Main source of increase was the advance receipt of two instalments of the Financial Assistance grant for the 2017/18 of 553K year plus grants for the Library and RMS totalling 143K					
<b>Capital grants and contributions</b>	<b>2,865</b>	<b>7,471</b>	<b>4,606</b>	161%	<b>F</b>
This favourable result was all due to increased section 94 funding above that predicted					
<b>Net gains from disposal of assets</b>	<b>135</b>	<b>–</b>	<b>(135)</b>	(100%)	<b>U</b>
The gain from the disposal of plant and equipment was netted off against disposals of infrastructure see below					

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
<b>EXPENSES</b>					
Employee benefits and on-costs	14,377	13,175	1,202	8%	F
Materials and contracts	8,437	7,993	444	5%	F
Depreciation and amortisation	4,836	5,241	(405)	(8%)	U
Other expenses	8,431	7,697	734	9%	F
Mainly due to decrease in computer maintenance cost and also better than expected utility bills.					
Net losses from disposal of assets	-	320	(320)	0%	U
Due to the disposal of infrastructure that was replaced or renewed					

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

Cash flows from operating activities	6,100	14,937	8,837	144.9%	F
The favourable variance was predominantly due to increased section 94 contributions and grant income.					
Cash flows from investing activities	(11,476)	15,673	27,149	(236.6%)	F
Due to movement in investment activities					

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 17. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	408	–	–	–	–	–	408	–
Community facilities	1,822	700	–	23	(8)	–	2,537	–
Roads and traffic facilities	11,036	441	–	127	(155)	–	11,449	–
Major open space	9,604	4,245	–	120	(2,837)	–	11,132	–
Local open space	2,228	1,355	–	28	(933)	–	2,678	–
Administration	353	165	–	4	(21)	–	501	–
<b>S94 contributions – under a plan</b>	<b>25,451</b>	<b>6,906</b>	<b>–</b>	<b>302</b>	<b>(3,954)</b>	<b>–</b>	<b>28,705</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>1,614</b>	<b>734</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>2,368</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>27,065</b>	<b>7,640</b>	<b>–</b>	<b>322</b>	<b>(3,954)</b>	<b>–</b>	<b>31,073</b>	<b>–</b>
S94 not under plans	855	–	–	–	–	–	855	–
<b>Total contributions</b>	<b>27,919</b>	<b>7,640</b>	<b>–</b>	<b>322</b>	<b>(3,954)</b>	<b>–</b>	<b>31,927</b>	<b>–</b>

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN 2010 - DIRECT

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	1,822	700	–	23	(8)	–	2,537	–
Administration	353	165	–	4	(21)	–	501	–
Roads and traffic facilities	10,218	441	–	127	(155)	–	10,631	–
Major open space	9,595	4,245	–	120	(2,837)	–	11,123	–
Local open space	2,228	1,355	–	28	(933)	–	2,678	–
<b>Total</b>	<b>24,216</b>	<b>6,906</b>	<b>–</b>	<b>302</b>	<b>(3,954)</b>	<b>–</b>	<b>27,470</b>	<b>–</b>

## CONTRIBUTION PLAN 1993

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

## S94A LEVIES – UNDER A PLAN

## INDIRECT DEVELOPMENT CONTRIBUTIONS PLAN - 2010

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
General levy	1,614	734	–	20	–	–	2,368	–
<b>Total</b>	<b>1,614</b>	<b>734</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>2,368</b>	<b>–</b>

## S94 CONTRIBUTIONS – NOT UNDER A PLAN

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

###### (iii) StateCover Limited

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

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

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

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

###### (iv) Other guarantees

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

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

##### 2. Other liabilities

##### (i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

##### (ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

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

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

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

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

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

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

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

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

##### ASSETS NOT RECOGNISED:

##### (i) Land under roads

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

##### (ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

#### Note 19. Interests in other entities

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



## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		177,381	170,416
a. Net operating result for the year		8,903	7,270
b. Transfers between equity		–	(305)
<b>Balance at end of the reporting period</b>		<b>186,284</b>	<b>177,381</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		159,676	144,734
<b>Total</b>		<b>159,676</b>	<b>144,734</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		144,734	132,062
– Revaluations for the year	9(a)	14,942	12,367
– Transfer to retained earnings for asset disposals		–	305
<b>– Balance at end of year</b>		<b>159,676</b>	<b>144,734</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>159,676</b>	<b>144,734</b>
<b>(iii) Nature and purpose of reserves</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			

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

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

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

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

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

Council utilises only a general fund for its operations.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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\$ '000

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

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

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Events that occur between the end of the reporting period (30 June 2017) 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 30 October 2017.

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 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

On 27 July 2017, the NSW Government announced that council mergers currently before the courts would not proceed. Council's pending merger with Burwood and Canada Bay, as a result, has been abandoned.

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

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

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/13	–	–	3,929	3,929
Office Equipment	30/06/13	–	–	928	928
Operational Land	30/06/13	–	–	32,104	32,104
Community Land	30/06/17	–	–	44,385	44,385
Land Improvements depreciable	30/06/16	–	–	2,028	2,028
Park Assets	30/06/16	–	–	14,929	14,929
Buildings Non Specialised	30/06/13	–	–	3,675	3,675
Buildings Specialised	30/06/13	–	–	18,202	18,202
Roads	30/06/15	–	–	81,334	81,334
Bridges	30/06/15	–	–	4,529	4,529
Footpaths	30/06/15	–	–	24,684	24,684
Bulk Earthworks (non depreciable)	30/06/15	–	–	31,065	31,065
Stormwater Drainage	30/06/15	–	–	35,883	35,883
Library Books	30/06/16	–	–	377	377
Other	30/06/16	–	–	198	198
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>–</b>	<b>298,250</b>	<b>298,250</b>

continued on next page...

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

Council's policy for determining transfers between fair value hierarchies is:

– at the end of the reporting period.

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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

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

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

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

---

##### **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. The valuation of community land was undertaken as at 30 June 2017.

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

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

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

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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 on 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 year ended 30 June 2017

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

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

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

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

---

##### **Roads**

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

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##### **Bridges**

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

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

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

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##### **Bulk Earthworks**

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

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##### **Stormwater Drainage**

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

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

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

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##### **Library Books**

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

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##### **Other Assets**

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

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## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Operational land	Community land	Land Impr'mts (depreciable)	Total
<b>Opening balance – 1/7/15</b>	2,929	33,516	27,762	895	65,102
Purchases (GBV)	1,011	–	–	239	1,250
Disposals (WDV)	(416)	(631)	–	(48)	(1,095)
Depreciation and impairment	(822)	–	–	–	(822)
Other movement - Revaluation	–	–	900	(250)	650
<b>Closing balance – 30/6/16</b>	<b>2,702</b>	<b>32,885</b>	<b>28,662</b>	<b>836</b>	<b>65,085</b>
Transfers from/(to) another asset class	–	(781)	781	–	–
Purchases (GBV)	3,703	–	–	1,212	4,915
Disposals (WDV)	(572)	–	–	–	(572)
Depreciation and impairment	(976)	–	–	(20)	(996)
Other movement - Revaluation	–	–	14,942	–	14,942
<b>Closing balance – 30/6/17</b>	<b>4,857</b>	<b>32,104</b>	<b>44,385</b>	<b>2,028</b>	<b>83,374</b>
	<b>Buildings</b>	<b>Roads</b>	<b>Bridges</b>	<b>Footpaths</b>	<b>Total</b>
<b>Opening balance – 1/7/15</b>	21,881	82,386	1,044	24,372	129,683
Purchases (GBV)	568	1,755	120	700	3,143
Disposals (WDV)	(149)	–	–	–	(149)
Depreciation and impairment	(643)	(1,711)	(51)	(412)	(2,817)
Other movement - Revaluation	–	–	3,466	–	3,466
<b>Closing balance – 30/6/16</b>	<b>21,657</b>	<b>82,430</b>	<b>4,579</b>	<b>24,660</b>	<b>133,326</b>
Purchases (GBV)	913	683	–	595	2,191
Disposals (WDV)	(54)	(73)	–	(151)	(278)
Depreciation and impairment	(639)	(1,706)	(50)	(420)	(2,815)
<b>Closing balance – 30/6/17</b>	<b>21,877</b>	<b>81,334</b>	<b>4,529</b>	<b>24,684</b>	<b>132,424</b>



## Strathfield Municipal Council

Notes to the Financial Statements  
for the year ended 30 June 2017

## Note 27. Fair value measurement (continued)

\$ '000

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

	Bulk earthwork (Non Dep)	Storm water drainage	Library books	Park assets and other	Total
<b>Opening balance – 1/7/15</b>	31,065	36,939	309	3,777	72,090
Purchases (GBV)	–	–	117	377	494
Depreciation and impairment	–	(528)	(100)	(767)	(1,395)
Other movement	–	–	–	8,251	8,251
<b>Closing balance – 30/6/16</b>	<b>31,065</b>	<b>36,411</b>	<b>326</b>	<b>11,638</b>	<b>79,440</b>
Purchases (GBV)	–	–	153	4,663	4,816
Disposals (WDV)	–	–	–	(376)	(376)
Depreciation and impairment	–	(528)	(102)	(798)	(1,428)
<b>Closing balance – 30/6/17</b>	<b>31,065</b>	<b>35,883</b>	<b>377</b>	<b>15,127</b>	<b>82,452</b>

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

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

## Strathfield Municipal Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures

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\$ '000

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##### a. Key management personnel

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

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

	Actual
<b>Compensation:</b>	<b>2017</b>
Short-term benefits	752
Post-employment benefits	54
Other long-term benefits	25
<b>Total</b>	<b>831</b>

##### b. Other transactions with KMP and their related parties

Council procedures did not identify any related party transactions

##### c. Other related party transactions

Nil



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Strathfield Municipal Council

To the Councillors of Strathfield Municipal Council

### Opinion

I have audited the accompanying financial statements of Strathfield Municipal Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 5 December 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar3.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou  
Director, Financial Audit Services

30 October 2017  
SYDNEY

Mr Gulian Vaccari  
Mayor  
Strathfield Municipal Council  
PO Box 120  
STRATHFIELD NSW 2135

Contact: Renee Meimaroglou  
Phone no: 9275 7100  
Our ref: D1727675/1789

30 October 2017

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2017  
Strathfield Municipal Council**

I have audited the general purpose financial statements of Strathfield Municipal Council (the Council) for the year ended 30 June 2017 as required by s415 of the Local Government Act 1993 (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

## INCOME STATEMENT

### Operating result

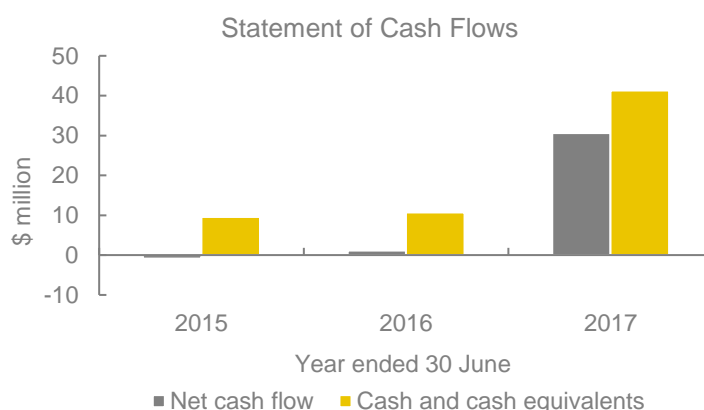
	2017 \$m	2016 \$m	Variance %
<b>Rates and annual charges revenue</b>	23.3	22.8	2.2 ↑
<b>Grants and contributions revenue</b>	11.5	10.6	8.5 ↑
<b>Operating result for the year</b>	8.9	7.3	21.9 ↑
<b>Net operating result before capital amounts</b>	1.4	0.5	180 ↑

The operating result for the year was a surplus of \$8.9 million (2016: \$7.3 million) and included a depreciation expense of \$5.2 million (2016: \$5.1 million). The higher operating result for this year is mainly due the receipt of a prepayment of the Financial Assistance Grant and increased revenue in the areas of compliance and recovery of legal fees on outstanding rates.

Rates and annual charges represent 54 per cent of Council's total revenues and increased by two per cent from the previous year.

## STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$30.6 million to \$41.3 million at the close of the year. The increase can be attributed to more funds being held in short term investments to fund upcoming capital works.



In addition to operating activities which contributed net cash inflow of \$14.9 million (2016: \$13.4 million), there were proceeds from the sale of assets (\$0.9 million) and the disposal of investments securities (\$58.5 million). Cash outflows other than operating activities were used to purchase investment securities (\$33 million) and purchase and construct assets (\$10.7 million).

## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	38.1	35.2	Cash and investments amounted \$58.3 million at 30 June 2017 (2016: \$53.1 million). The increase is mainly due to the Council's surplus for the year.
Internal restrictions	14.2	16.5	
Unrestricted	6.0	1.4	
<b>Cash and investments</b>	<b>58.3</b>	<b>53.1</b>	

Externally restricted cash and investments are restricted in their use by externally imposed requirements. These include unspent development contributions, specific purpose grants and domestic waste charges.

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled \$14.2 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$6.0 million, which is available to provide liquidity for day to day operations.

### Debt

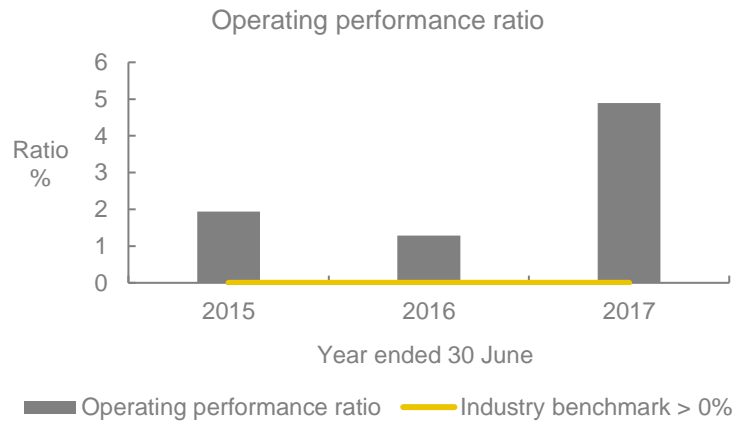
Council has been debt free since 2011.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

### Operating performance ratio

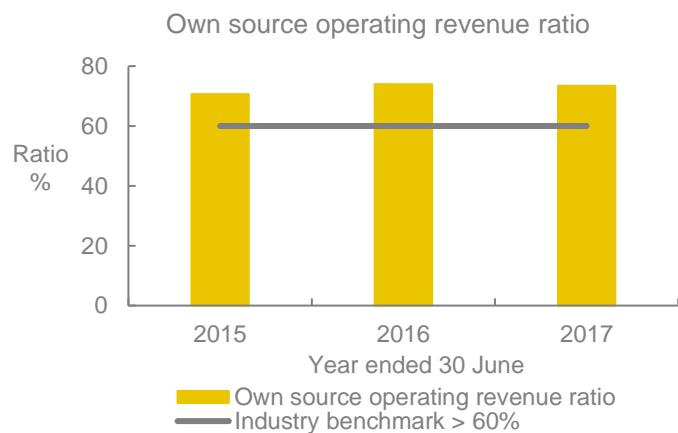
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 4.9 per cent (1.3 per cent in 2016) exceeded the benchmark due to a significantly improved operating result before capital grants and contributions. This is mainly due to the increase in revenue which was noted earlier in this report.

### Own source operating revenue ratio

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

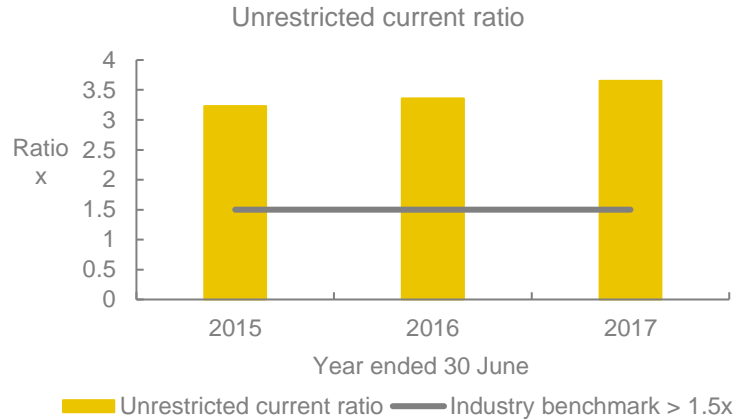


Council's own source operating revenue ratio was 73 per cent in 2016-17 (74 per cent in 2016), exceeding the benchmark of 60 per cent.



## Unrestricted current ratio

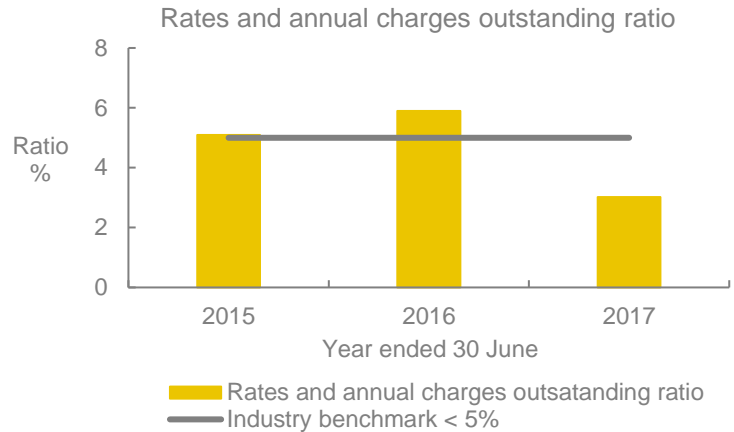
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio increased to 3.6 as at 30 June 2017 (3.4 in 2016) and exceeded the benchmark of 1.5 times. The improvement in the ratio is due to increased cash and investments.

## Rates and annual charges outstanding ratio

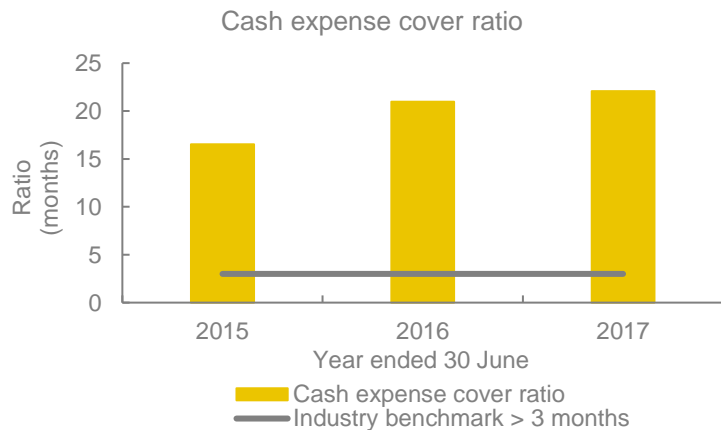
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 5 per cent for metro councils.



The rates and annual charges outstanding ratio stood at 3.0 per cent as at 30 June 2017 (5.9 per cent in 2016) and is now better than industry benchmark of being below 5 per cent. Management attribute this significant improvement to actively pursuing the recovery of outstanding amounts.

## Cash expense cover ratio

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

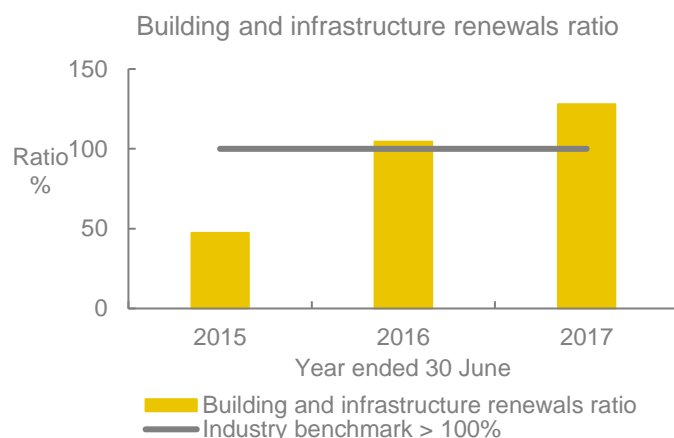


Council's cash expense cover ratio was over twenty-two months and continues to easily exceed the benchmark of three months.

## Building and infrastructure renewals ratio

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

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



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 128 per cent (105 per cent in 2016) of the depreciation charges for those assets; exceeding the benchmark of 100 per cent.

## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments

### Asset Revaluations

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

During the year, community land was revalued. This resulted in a net increase of \$14.9 million recognised directly in Asset Revaluation Reserves.

## Legislative compliance

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

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



Renee Meimaroglou  
Director, Financial Audit Services

30 October 2017  
SYDNEY

cc: Mr Henry Wong, General Manager  
Mr Brian Hrnjak, Chair of the Audit Committee  
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

# Strathfield Municipal Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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# Strathfield Municipal Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

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<b>2. Special Purpose Financial Statements:</b>	
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
<b>3. Notes to the Special Purpose Financial Statements</b>	5
<b>4. Auditor’s Report</b>	9

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### Background

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

## Strathfield Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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

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

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

**Signed in accordance with a resolution of Council made on 03 October 2017.**



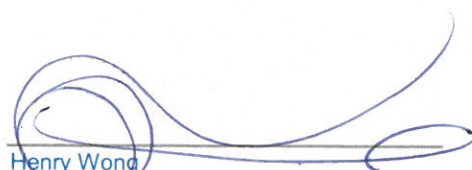
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Giulian Vaccari  
Mayor




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Nella Hall  
Councillor



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Henry Wong  
General manager



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Jenny Nascimento  
Responsible accounting officer

## Strathfield Municipal Council

Income Statement of Council's Other Business Activities  
for the year ended 30 June 2017Hudson Park  
Golf Course  
Category 2

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
User charges	669	953
Other income	31	81
<b>Total income from continuing operations</b>	<b>700</b>	<b>1,034</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	700	583
Materials and contracts	595	247
Depreciation, amortisation and impairment	69	71
Other expenses	7	12
<b>Total expenses from continuing operations</b>	<b>1,371</b>	<b>913</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(671)</b>	<b>121</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(671)</b>	<b>121</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(671)</b>	<b>121</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(36)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(671)</b>	<b>85</b>
<b>Plus opening retained profits</b>	2,546	2,425
<b>Plus/less: prior period adjustments</b>	–	–
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	–	36
<b>Add:</b>		
– Subsidy paid/contribution to operations	1,622	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>3,497</b>	<b>2,546</b>
<b>Return on capital %</b>	<b>-16.3%</b>	<b>4.7%</b>
<b>Subsidy from Council</b>	<b>769</b>	<b>–</b>

## Strathfield Municipal Council

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

as at 30 June 2017

Hudson Park  
Golf Course

Category 2

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	133
Receivables	–	1
Inventories	21	23
<b>Total Current Assets</b>	<b>22</b>	<b>157</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	4,125	2,587
<b>Total non-current assets</b>	<b>4,125</b>	<b>2,587</b>
<b>TOTAL ASSETS</b>	<b>4,147</b>	<b>2,744</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	24	42
Provisions	66	156
<b>Total current liabilities</b>	<b>90</b>	<b>198</b>
<b>Non-current liabilities</b>		
Payables	–	–
Provisions	–	–
Other Liabilities	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>90</b>	<b>198</b>
<b>NET ASSETS</b>	<b>4,057</b>	<b>2,546</b>
<b>EQUITY</b>		
Retained earnings	3,497	2,546
Revaluation reserves	560	–
Other reserves	–	–
Council equity interest	4,057	2,546
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>4,057</b>	<b>2,546</b>



## Strathfield Municipal Council

### Special Purpose Financial Statements

for the year ended 30 June 2017

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

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

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to

activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

##### a. Hudson Park Golf Course

*An 18 hole public golf course*

#### Monetary amounts

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

#### (i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 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 the business activities.

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

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

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

Since the taxation equivalent is notional – that is, it is payable to Council as the ‘owner’ of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

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

##### Local government rates and charges

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

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

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

## Strathfield Municipal Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

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

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**Strathfield Municipal Council**

To the Councillors of the Strathfield Municipal Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Strathfield Municipal Council's (the Council) Declared Business Activities, which comprise the statement of financial position of the Declared Business Activity as at 30 June 2017, the income statement of the Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is:

- The Hudson Park Golf Course.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 5 December 2016.

## **The Councillors' Responsibility for the Financial Statements**

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activity.

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

My objectives are to:

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Renee Meimaroglou  
Director, Financial Audit Services

30 October 2017  
SYDNEY

# Strathfield Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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# Strathfield Municipal Council

## Special Schedules

for the year ended 30 June 2017

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

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#### Background

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



## Strathfield Municipal Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>516</b>	<b>–</b>	<b>–</b>	<b>(516)</b>
<b>Administration</b>	<b>4,397</b>	<b>2,565</b>	<b>–</b>	<b>(1,832)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	630	–	–	(630)
Enforcement of local government regulations	851	890	–	39
Animal control	32	14	–	(18)
Other	16	–	–	(16)
<b>Total public order and safety</b>	<b>1,529</b>	<b>904</b>	<b>–</b>	<b>(625)</b>
<b>Health</b>	<b>780</b>	<b>167</b>	<b>–</b>	<b>(613)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	43	30	–	(13)
Other environmental protection	1,349	890	–	(459)
Solid waste management	6,083	7,099	–	1,016
Street cleaning	584	–	–	(584)
Drainage	–	–	–	–
Stormwater management	632	275	–	(357)
<b>Total environment</b>	<b>8,691</b>	<b>8,294</b>	<b>–</b>	<b>(397)</b>
<b>Community services and education</b>				
Administration and education	789	5	–	(784)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	208	202	–	(6)
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>997</b>	<b>207</b>	<b>–</b>	<b>(790)</b>
<b>Housing and community amenities</b>				
Public conveniences	68	–	733	665
Street lighting	652	128	–	(524)
Town planning	655	–	–	(655)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>1,375</b>	<b>128</b>	<b>733</b>	<b>(514)</b>

## Strathfield Municipal Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,371	149	–	(1,222)
Community centres and halls	131	45	699	613
Other cultural services	896	36	–	(860)
Sporting grounds and venues	1,838	274	–	(1,564)
Parks and gardens (lakes)	2,502	284	5,598	3,380
Other sport and recreation	1,744	749	–	(995)
<b>Total recreation and culture</b>	<b>8,482</b>	<b>1,537</b>	<b>6,297</b>	<b>(648)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	2,623	1,033	–	(1,590)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>2,623</b>	<b>1,033</b>	<b>–</b>	<b>(1,590)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	3,026	1,020	441	(1,565)
Urban roads – regional	–	–	–	–
Bridges on UR – local	51	–	–	(51)
Parking areas	–	–	–	–
Footpaths	1,213	323	–	(890)
Other transport and communication	746	59	–	(687)
<b>Total transport and communication</b>	<b>5,036</b>	<b>1,402</b>	<b>441</b>	<b>(3,193)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	–	22	–	22
<b>Total economic affairs</b>	<b>–</b>	<b>22</b>	<b>–</b>	<b>22</b>
<b>Totals – functions</b>	<b>34,426</b>	<b>16,259</b>	<b>7,471</b>	<b>(10,696)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>19,599</b>		<b>19,599</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>34,426</b>	<b>35,858</b>	<b>7,471</b>	<b>8,903</b>

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

## Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Council Offices/ Administration Centres	200	200	244	429	6,664	10,724	40%	47%	13%		0%
	Council Works Depot	34	34	144	195	1,432	2,168	10%	33%	57%		0%
	Council Public Halls	200	200	31	46	1,640	2,856	64%	30%	6%		0%
	Libraries	10	10	166	227	5,838	7,635	100%				0%
	Cultural Facilities(Amenities)	450	450	752	806	4,331	8,402	22%	26%	32%	20%	0%
	Community Centre	15	15	33	70	1,765	4,535	35%	37%	28%		0%
	Council House	–	–	16	17	207	1,131	32%	28%	40%		0%
	Other	–	–	314	318	–	–					
	<b>Sub-total</b>	<b>909</b>	<b>909</b>	<b>1,700</b>	<b>2,108</b>	<b>21,877</b>	<b>37,451</b>	<b>47.4%</b>	<b>28.8%</b>	<b>19.3%</b>	<b>4.5%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads	400	400	2,292	2,888	49,162	75,471	20%	17%	63%		0%
	Bridges	584	584	–	–	4,528	14,227	25%	25%	15%	35%	0%
	Footpaths	50	50	251	236	24,685	33,993	10%	9%	81%		0%
	Other road assets	80	80	43	50	8,066	11,337	10%	18%	72%		0%
	Bulk earthworks	–	–	–	–	31,065	31,065	100%				0%
	Kerb & Gutter	120	120	64	71	24,106	32,542	2%	18%	80%		0%
	<b>Sub-total</b>	<b>1,234</b>	<b>1,234</b>	<b>2,650</b>	<b>3,245</b>	<b>141,612</b>	<b>198,635</b>	<b>27.6%</b>	<b>13.8%</b>	<b>56.1%</b>	<b>2.5%</b>	<b>0.0%</b>

## Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater Conduits	654	654	37	16	31,468	51,280		5%	89%	6%	0%
	Stormwater Inlet & Junction Pits	–	–	44	77	4,415	5,379		33%	32%	35%	0%
	<b>Sub-total</b>	<b>654</b>	<b>654</b>	<b>81</b>	<b>93</b>	<b>35,883</b>	<b>56,659</b>	<b>0.0%</b>	<b>7.7%</b>	<b>83.6%</b>	<b>8.8%</b>	<b>0.0%</b>
Open space/recreational assets	Open spaces/Recreational Assets	400	400	2,046	2,019	14,929	22,948	7%	31%	62%		0%
	<b>Sub-total</b>	<b>400</b>	<b>400</b>	<b>2,046</b>	<b>2,019</b>	<b>14,929</b>	<b>22,948</b>	<b>7.0%</b>	<b>31.0%</b>	<b>62.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>TOTAL – ALL ASSETS</b>		<b>3,197</b>	<b>3,197</b>	<b>6,477</b>	<b>7,465</b>	<b>14,929</b>	<b>315,693</b>	<b>23.5%</b>	<b>15.7%</b>	<b>57.1%</b>	<b>3.7%</b>	<b>0.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Strathfield Municipal Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Infrastructure renewals ratio</b>					
Asset renewals <sup>(1)</sup>	<u>28*</u>	18% %	>= 100%	104.57%	47.27%
Depreciation, amortisation and impairment	<u>(28)</u>				
<b>2. Infrastructure backlog ratio</b>					
Estimated cost to bring assets to a satisfactory standard	<u>3,197</u>	1.(- %	< 2%	1.86%	3.17%
Net carrying amount of infrastructure assets	<u>84,356</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>7,465</u>	1.15	> 1.00	1.17	0.40
Required asset maintenance	<u>6,477</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>3,197</u>	1.01%		1.09%	1.00%
Gross replacement cost	<u>315,693</u>				

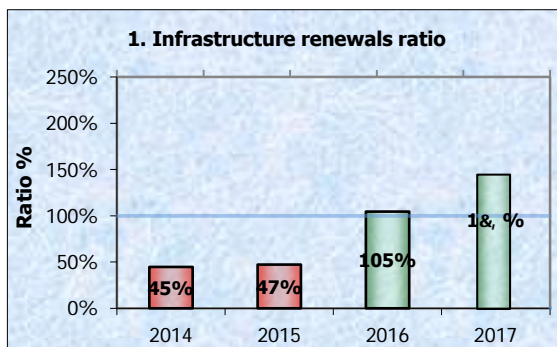
## Notes

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

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

# Strathfield Municipal Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017



### 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 2016/17 result

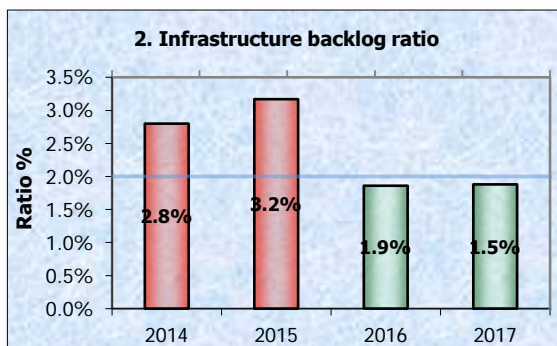
**2016/17 Ratio 127.85%**

Renewals were strong this year as council continues to address prior year's shortfall in capital spending.

Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of infrastructure backlog ratio

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

### Commentary on 2016/17 result

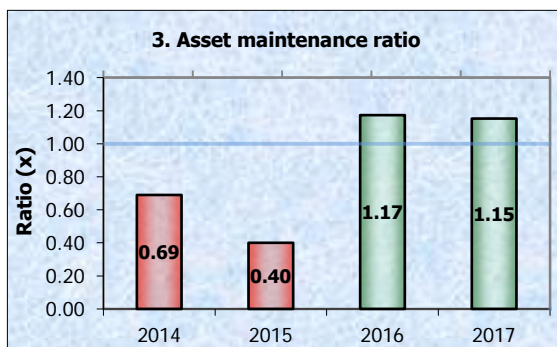
**2016/17 Ratio 1.49%**

Council is continuing to meet the benchmark of  $< 2\%$

Benchmark: — Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of asset maintenance ratio

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

### Commentary on 2016/17 result

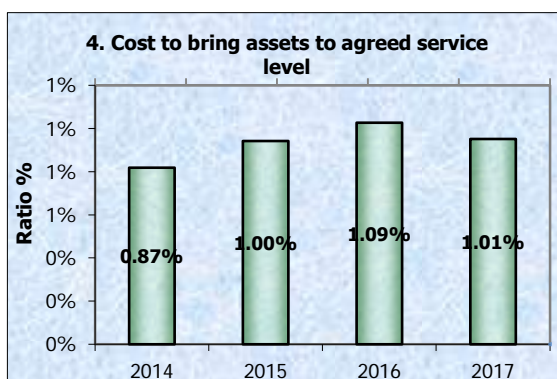
**2016/17 Ratio 1.15 x**

Asset maintenance continues to trend above the benchmark of 1.0 to ensure asset conditions remain above 3.

Benchmark: — Minimum  $> 1.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



### Purpose of agreed service level ratio

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

### Commentary on 2016/17 result

**2016/17 Ratio 1.01%**

Council is continues to meet the benchmark and is focused on continuing down this path.

## Strathfield Municipal Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	16,184	16,707
Plus or minus adjustments <sup>(2)</sup>	b	228	35
<b>Notional general income</b>	c = (a + b)	<b>16,412</b>	<b>16,742</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
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	295	251
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>16,707</b>	<b>16,993</b>
Plus (or minus) last year's carry forward total	l	–	–
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>–</b>	<b>–</b>
<b>Total permissible income</b>	o = k + n	<b>16,707</b>	<b>16,993</b>
Less notional general income yield	p	16,707	17,187
<b>Catch-up or (excess) result</b>	q = o – p	<b>–</b>	<b>(194)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>–</b>	<b>(194)</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule No. 8

### Strathfield Municipal Council

To the Councillors of Strathfield Municipal Council

#### Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Strathfield Municipal Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Strathfield Municipal Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

#### Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

#### Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.



## **Other Matter**

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 5 December 2016.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Renee Meimaroglou  
Director, Financial Audit Services

30 October 2017  
SYDNEY