

# Strathfield Municipal Council

## GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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# General Purpose Financial Statements

for the year ended 30 June 2020

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## Overview

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

65 Homebush Rd  
Strathfield NSW 2135

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).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.strathfield.nsw.gov.au](http://www.strathfield.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

#### What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

#### About the Councillor/Management Statement

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

#### About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

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

Primarily records 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 of Council's "net wealth".

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

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

#### About the Notes to the Financial Statements

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

#### About the Auditor's Reports

Council's financial statements are required to be audited by the 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 2020

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

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

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

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

- present fairly the Council's operating result and financial position for the year
- 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 November 2020.

Antoine Doueih  
**Mayor**  
03 November 2020

MATTHEW BLACKMORE  
**Councillor**  
03 November 2020

Henry Wong  
**Chief Executive/Responsible Accounting Officer**  
03 November 2020

## Income Statement

for the year ended 30 June 2020

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
2020	\$ '000		Notes	2020	2019
		<b>Income from continuing operations</b>			
29,875		Rates and annual charges	3a	31,089	29,001
4,730		User charges and fees	3b	3,551	4,336
3,623		Other revenues	3c	2,784	3,954
2,555		Grants and contributions provided for operating purposes	3d,3e	2,957	3,151
11,178		Grants and contributions provided for capital purposes	3d,3e	8,928	6,754
1,390		Interest and investment income	4	749	1,428
–		Rental income	12c	962	–
<u>53,351</u>		<b>Total income from continuing operations</b>		<u>51,020</u>	<u>48,624</u>
		<b>Expenses from continuing operations</b>			
18,774		Employee benefits and on-costs	5a	18,914	15,491
8,017		Materials and contracts	5b	7,498	8,526
6,487		Depreciation and amortisation	5c	7,453	6,580
8,875		Other expenses	5d	8,457	8,427
20		Net losses from the disposal of assets	6	1,139	2,253
<u>42,173</u>		<b>Total expenses from continuing operations</b>		<u>43,461</u>	<u>41,277</u>
<u>11,178</u>		<b>Operating result from continuing operations</b>		<u>7,559</u>	<u>7,347</u>
<u>11,178</u>		<b>Net operating result for the year</b>		<u>7,559</u>	<u>7,347</u>
		Net operating result attributable to council		7,559	7,347
–		<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		(1,369)	593

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

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

## Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>7,559</b>	<b>7,347</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	82,526	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>82,526</b>	<b>–</b>
<b>Total other comprehensive income for the year</b>		<b>82,526</b>	<b>–</b>
<b>Total comprehensive income for the year</b>		<b>90,085</b>	<b>7,347</b>
Total comprehensive income attributable to Council		90,085	7,347

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

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

## Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	5,735	14,884
Investments	7(b)	31,000	30,000
Receivables	8	3,977	2,308
Inventories	9a	84	90
Other	9b	245	147
<b>Total current assets</b>		<u>41,041</u>	<u>47,429</u>
<b>Non-current assets</b>			
Receivables	8	233	222
Infrastructure, property, plant and equipment	10	474,781	378,364
<b>Total non-current assets</b>		<u>475,014</u>	<u>378,586</u>
<b>Total assets</b>		<u>516,055</u>	<u>426,015</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	12,707	13,268
Contract liabilities	11	426	–
Provisions	14	4,439	4,065
<b>Total current liabilities</b>		<u>17,572</u>	<u>17,333</u>
<b>Non-current liabilities</b>			
Provisions	14	242	172
<b>Total non-current liabilities</b>		<u>242</u>	<u>172</u>
<b>Total liabilities</b>		<u>17,814</u>	<u>17,505</u>
<b>Net assets</b>		<u>498,241</u>	<u>408,510</u>
<b>EQUITY</b>			
Accumulated surplus	15	213,449	206,244
Revaluation reserves	15	284,792	202,266
<b>Council equity interest</b>		<u>498,241</u>	<u>408,510</u>
<b>Total equity</b>		<u>498,241</u>	<u>408,510</u>

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

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

## Strathfield Municipal Council

### Statement of Changes in Equity

for the year ended 30 June 2020

	as at 30/06/20			as at 30/06/19		
	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>\$ '000</b>						
<b>Opening balance</b>						
Changes due to AASB 1058 and AASB 15 adoption	206,244	202,266	408,510	198,897	202,266	401,163
Changes due to AASB 16 adoption	(354)	-	(354)	-	-	-
	-	-	-	-	-	-
<b>Net operating result for the year</b>	7,559	-	7,559	7,347	-	7,347
<b>Restated net operating result for the period</b>	7,559	-	7,559	7,347	-	7,347
<b>Other comprehensive income</b>						
- Gain (loss) on revaluation of IPP&E	-	82,526	82,526	-	-	-
<b>Other comprehensive income</b>	-	82,526	82,526	-	-	-
<b>Total comprehensive income</b>	7,559	82,526	90,085	7,347	-	7,347
<b>Equity – balance at end of the reporting period</b>	213,449	284,792	498,241	206,244	202,266	408,510

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

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

## Statement of Cash Flows

for the year ended 30 June 2020

<i>Original unaudited budget 2020</i>	<i>\$ '000</i>	Notes	<i>Actual 2020</i>	<i>Actual 2019</i>
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
28,804	Rates and annual charges		30,794	28,830
4,838	User charges and fees		3,950	4,973
1,354	Investment and interest revenue received		940	1,289
13,737	Grants and contributions		11,733	9,740
1,600	Bonds, deposits and retention amounts received		232	891
4,691	Other		2,004	6,986
<b>Payments:</b>				
(18,702)	Employee benefits and on-costs		(19,055)	(15,249)
(7,931)	Materials and contracts		(6,865)	(9,297)
(9,675)	Other		(8,531)	(11,135)
<b>18,716</b>	<b>Net cash provided (or used in) operating activities</b>	16b	<b>15,202</b>	<b>17,028</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		31,000	38,000
1	Sale of infrastructure, property, plant and equipment		457	505
–	Other investing activity receipts		–	1,299
<b>Payments:</b>				
–	Purchase of investment securities		(32,000)	(36,000)
(16,294)	Purchase of infrastructure, property, plant and equipment		(23,808)	(27,502)
<b>(16,293)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(24,351)</b>	<b>(23,698)</b>
<b>2,423</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(9,149)</b>	<b>(6,670)</b>
14,884	Plus: cash and cash equivalents – beginning of year	16a	14,884	21,554
<b>17,307</b>	<b>Cash and cash equivalents – end of the year</b>	16a	<b>5,735</b>	<b>14,884</b>
30,000	plus: Investments on hand – end of year	7(b)	31,000	30,000
<b>47,307</b>	<b>Total cash, cash equivalents and investments</b>		<b>36,735</b>	<b>44,884</b>

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 03 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

#### (a) Historical cost convention

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

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

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

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

#### Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) employee benefit provisions – refer Note 14.

#### COVID 19 impacts

The coronavirus has caused a disruption to Council's business practices with a number of staff working from home or at other Council facilities. This has caused some inconvenience and additional cost for office equipment being refreshed earlier than scheduled.

Council has incurred additional cleaning costs for its administration, operating and community facilities and lost revenue on those community facilities with no or reduced community access due to lockdown requirements.

Rates and other collections are consistent with the comparative year.

Overall the financial impact has not been significant however the future year 2020/21 is likely to be impacted by the State government legislated deferral of rating income and interest charges on arrears - refer also Note 8

Council is of the view that physical non-current assets will not experience substantial decline in value due to the pandemic. The fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated change in value. For assets where the fair value is determined by reference to market values, Council has no evidence of material changes to these values. It has not been practicable for Council to consider obtaining external valuation for operational land and specialised buildings late in the financial reporting cycle.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

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

(i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

#### Monies and other assets received by Council

##### (a) 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.

Council's consolidated fund is the General Fund.

##### (b) The Trust Fund

Council does not hold any monies in the Trust Fund.

#### Goods and Services Tax (GST)

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

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

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

#### Volunteer services

Strathfield Council has various opportunities for volunteers to be involved in projects ranging from teaching computers for seniors, reading buddies to assisting with other community projects or events. Strathfield Council defines volunteering as;

- To benefit the community and the volunteer
- To be done by the volunteer without coercion
- With no financial gain
- For designated volunteer positions

As a result, no attempt has been made to recognise the value of these services in the income statement because it cannot be reliably estimated..

The volunteer program aims to provide volunteers with a level of engagement that involves the residents in our community and enhances social, cultural and environmental outcomes. Volunteering with Strathfield Council will;

- Benefit the community and the volunteer
- Enhance your skills to help others
- Gain Work Experience
- Learn new skills
- Meet new people
- Promotes human rights and equality
- Have a sense of purpose

Community events have a unique ability to bring people together. There are a variety of roles available at Strathfield Events to suit people of all abilities and experience levels, such as:

- Cooks River Fun Run (June)
- Strathfield Spring Festival (September)
- Strathfield Christmas Carols (December)

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods (and which have not been early adopted by Council).

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Basis of preparation (continued)

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As at the date of authorisation of these financial statements, Council does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

#### **New accounting standards adopted during the year**

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2020.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 15.

**Strathfield Municipal Council**  
**Notes to the Financial Statements**  
 for the year ended 30 June 2020

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

*Income, expenses and assets have been directly attributed to the following functions or activities.  
 Details of those functions or activities are provided in Note 2(b).*

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>\$ '000</b>										
<b>Functions or activities</b>										
Governance	–	–	300	267	(300)	(267)	–	–	22	–
Administration	985	1,102	4,369	4,485	(3,384)	(3,383)	–	–	37,623	98,839
Public Order and Safety	2,153	2,303	1,088	3,375	1,065	(1,072)	36	–	173	38
Health	10	81	–	308	10	(227)	139	–	–	–
Environment	13,152	11,761	12,206	10,539	946	1,222	31	221	47,052	40,780
Community Services and Education	525	267	5,714	1,395	(5,189)	(1,128)	688	229	4,442	4,092
Housing and Community Amenities	709	577	819	2,101	(110)	(1,524)	–	132	14,213	6,526
Recreation and Culture	1,873	8,652	13,431	8,418	(11,558)	234	2,756	356	119,576	103,895
Mining, Manufacturing and Construction	1,054	846	2,112	1,585	(1,058)	(739)	–	–	21,356	–
Transport and Communication	4,546	2,278	3,422	8,804	1,124	(6,526)	445	747	270,337	171,845
General Purpose Income	26,013	20,757	–	–	26,013	20,757	1,241	1,211	–	–
Other	–	–	–	–	–	–	–	–	1,261	–
<b>Total functions and activities</b>	<b>51,020</b>	<b>48,624</b>	<b>43,461</b>	<b>41,277</b>	<b>7,559</b>	<b>7,347</b>	<b>5,336</b>	<b>2,896</b>	<b>516,055</b>	<b>426,015</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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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 policymaking 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.

#### **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.

#### **General Purpose Income**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue from continuing operations

\$ '000	2020	2019
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	13,022	12,091
Business	5,655	5,414
Less: pensioner rebates (mandatory)	(161)	(160)
Less: pensioner rebates (Council policy)	(20)	(16)
Less: rates levied on council properties	(59)	–
<b>Rates levied to ratepayers</b>	<b>18,437</b>	<b>17,329</b>
Pensioner rate subsidies received	88	88
<b>Total ordinary rates</b>	<b>18,525</b>	<b>17,417</b>
<b>Annual charges</b>		
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>		
Domestic waste management services	12,219	11,218
Stormwater management services	310	318
Section 611 charges	100	143
Less: pensioner rebates (mandatory)	(103)	(104)
Less: pensioner rebates (Council policy)	(18)	(48)
<b>Annual charges levied</b>	<b>12,508</b>	<b>11,527</b>
Pensioner subsidies received:		
– Domestic waste management	56	57
<b>Total annual charges</b>	<b>12,564</b>	<b>11,584</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>31,089</b>	<b>29,001</b>

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

**Accounting policy for rates and charges**

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

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

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(b) User charges and fees</b>		
<b>Specific user charges</b>		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	70	2
Waste management services (non-domestic)	36	48
<b>Total specific user charges</b>	<b>106</b>	<b>50</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	796	665
Registration fees	1	–
Section 10.7 certificates (EP&A Act)	86	105
Section 603 certificates	69	46
Health act	125	96
<b>Total fees and charges – statutory/regulatory</b>	<b>1,077</b>	<b>912</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Community centres	21	163
Community services	3	40
Credit card service fee	37	36
Library and art gallery	12	27
Park rents	526	433
Festivals and events	19	49
Restoration charges	33	44
Hoarding income	64	180
Hudson park golf course and driving range	1,008	954
Lease rentals and hall hire - See Note 12(i)	–	601
Leaseback fees – Council vehicles - See Note 12(i)	–	138
Other property rentals	69	70
Parking fees	54	55
Privately funded works and anchor work permits	35	29
Road opening permits	6	89
Awning safety works	–	54
Work zone parking and standing plant permits	271	252
Residential Parking Scheme	2	1
Public halls	50	–
Other	–	46
Road closure	158	113
<b>Total fees and charges – other</b>	<b>2,368</b>	<b>3,374</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>3,551</b>	<b>4,336</b>

**Accounting policy for user charges and fees**

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

**2019 accounting policy**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(c) Other revenues</b>		
Ex gratia rates	224	213
Fines – parking	1,969	2,168
Legal fees recovery – rates and charges (extra charges)	86	534
Legal fees recovery – other	30	38
Commissions and agency fees	(1)	–
Diesel rebate	43	33
Community bus sponsorship	50	51
Insurance claims recoveries	102	4
Sale of abandoned vehicles	16	–
Insurance incentives/rebates	107	85
Other	5	48
Nursery sales	1	3
Other corporate income	51	97
Recycling income (non-domestic)	93	91
Utilities reimbursements	8	4
Bus shelter advertisement - See Note 12(i)	–	170
Other - asset recognised for first time	–	415
<b>TOTAL OTHER REVENUE</b>	<b>2,784</b>	<b>3,954</b>

**Accounting policy for other revenue**

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

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

**2019 accounting policy:**

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

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

<b>\$ '000</b>	<b>Operating 2020</b>	<b>Operating 2019</b>	<b>Capital 2020</b>	<b>Capital 2019</b>
<b>(d) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	482	473	–	–
Financial assistance – local roads component	147	150	–	–
<b>Payment in advance - future year allocation</b>				
Financial assistance – general component	456	490	–	–
Financial assistance – local roads component	156	156	–	–
<b>Total general purpose</b>	<b>1,241</b>	<b>1,269</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Aged care	170	167	–	–
Community care	21	62	250	–
Environmental programs	247	–	–	–
Heritage and cultural	10	4	–	–
Library	154	81	–	–
Library – per capita	–	30	–	–
Noxious weeds	31	32	–	–
Other – waste	139	132	–	–
Recreation and culture	132	240	2,460	–
Road safety	44	38	–	–
Transport (roads to recovery)	186	403	–	–
Street lighting	134	132	–	–
Transport (other roads and bridges funding)	–	168	80	–
Other	36	–	–	–
Other - Transport Greater Sydney Commission	–	138	1	–
<b>Total specific purpose</b>	<b>1,304</b>	<b>1,627</b>	<b>2,791</b>	<b>–</b>
<b>Total grants</b>	<b>2,545</b>	<b>2,896</b>	<b>2,791</b>	<b>–</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	1,597	1,868	–	–
– State funding	907	996	2,700	–
– Other funding	41	32	91	–
	<b>2,545</b>	<b>2,896</b>	<b>2,791</b>	<b>–</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		53	76	5,494	6,754
S 7.12 – fixed development consent levies		–	–	643	–
<b>Total developer contributions – cash</b>		<u>53</u>	<u>76</u>	<u>6,137</u>	<u>6,754</u>
<b>Total developer contributions</b>	24	<u>53</u>	<u>76</u>	<u>6,137</u>	<u>6,754</u>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
RMS contributions (regional roads, block grant)		359	179	–	–
<b>Total other contributions – cash</b>		<u>359</u>	<u>179</u>	<u>–</u>	<u>–</u>
<b>Total other contributions</b>		<u>359</u>	<u>179</u>	<u>–</u>	<u>–</u>
<b>Total contributions</b>		<u>412</u>	<u>255</u>	<u>6,137</u>	<u>6,754</u>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<u>2,957</u>	<u>3,151</u>	<u>8,928</u>	<u>6,754</u>

**Accounting policy for grants and contributions****Accounting policy from 1 July 2019****Grant income under AASB 15**

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

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

**Grant income**

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

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

**Capital grants**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

#### **Contributions**

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

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

#### **Accounting policy prior to 1 July 2019**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	1,000	1,077
<b>Add:</b> operating grants recognised as income in the current period but not yet spent (2019 only)	–	926
<b>Less:</b> operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,003)
<b>Less:</b> operating grants received in a previous reporting period now spent and recognised as income	(899)	–
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<u>101</u>	<u>1,000</u>
<b>Less:</b> capital grants received in a previous reporting period now spent and recognised as income	–	–
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	18,309	23,106
<b>Add:</b> contributions recognised as income in the current period but not yet spent	5,121	7,038
<b>Less:</b> contributions recognised in a previous reporting period now spent	(11,078)	(11,835)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<u>12,352</u>	<u>18,309</u>

## Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	58	44
– Cash and investments	691	1,319
– Deferred debtors	–	65
Finance income on the net investment in the lease	–	–
<b>Total Interest and investment income</b>	<u>749</u>	<u>1,428</u>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	58	44
General Council cash and investments	587	1,176
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	104	208
<b>Total interest and investment revenue</b>	<u>749</u>	<u>1,428</u>

**Accounting policy for interest and investment revenue**

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages (27 fortnightly cycles in 2020)	16,432	13,251
Employee termination costs (where material – other than vested leave paid)	186	69
Travel expenses	5	4
Employee leave entitlements (ELE)	3,077	3,635
Superannuation	1,963	1,671
Workers' compensation insurance	835	623
Fringe benefit tax (FBT)	109	130
Training costs (other than salaries and wages)	190	302
Other	113	16
<b>Total employee costs</b>	<b>22,910</b>	<b>19,701</b>
Less: capitalised costs	(3,996)	(4,210)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>18,914</b>	<b>15,491</b>
Number of 'full-time equivalent' employees (FTE) at year end	225	208

**Accounting policy for employee benefits and on-costs**

Employee benefit expenses are recorded when the service has been provided by the employee.

*Retirement benefit obligations*

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

*Superannuation plans*

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 15 for more information.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(b) Materials and contracts</b>		
Raw materials and consumables	4,355	4,585
Contractor and consultancy costs	665	1,544
– Street and gutter cleaning	815	682
Auditors remuneration <sup>2</sup>	156	143
Infringement notice contract costs (SEINS)	254	226
<b>Legal expenses:</b>		
– Legal expenses: planning and development	1,111	961
– Legal expenses: debt recovery	102	291
– Legal expenses: other	14	35
Expenses from short-term leases (2020 only)	26	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	59
<b>Total materials and contracts</b>	<u>7,498</u>	<u>8,526</u>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<u>7,498</u>	<u>8,526</u>

**Accounting policy for materials and contracts**

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

**Operating leases (2019 only)**

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

**1. Operating lease payments are attributable to:**

Computers	–	59
	<u>–</u>	<u>59</u>

**2. Auditor remuneration**

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

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

Audit and review of financial statements	88	78
<b>Remuneration for audit and other assurance services</b>	<u>88</u>	<u>78</u>

**Total Auditor-General remuneration**

	<u>88</u>	<u>78</u>
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**Non NSW Auditor-General audit firms****(i) Audit and other assurance services**

Internal audit	68	65
<b>Remuneration for audit and other assurance services</b>	<u>68</u>	<u>65</u>

**Total remuneration of non NSW Auditor-General audit firms**

	<u>68</u>	<u>65</u>
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**Total Auditor remuneration**

	<u>156</u>	<u>143</u>
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(c) Depreciation, amortisation and impairment of non-financial assets			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,257	1,120
Office equipment		676	461
Land improvements (depreciable)		135	109
<b>Infrastructure:</b>	10		
– Buildings – non-specialised		98	97
– Buildings – specialised		471	408
– Roads		1,846	1,808
– Bridges		51	51
– Footpaths		458	437
– Stormwater drainage		571	525
– Kerb and gutter		–	–
– Other open space/recreational assets		1,671	1,372
<b>Right of use assets</b>	12	–	–
<b>Other assets:</b>			
– Library books		128	119
– Other		91	73
<b>Total gross depreciation and amortisation costs</b>		<u>7,453</u>	<u>6,580</u>
Total depreciation and amortisation costs		<u>7,453</u>	<u>6,580</u>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</b>		<u>7,453</u>	<u>6,580</u>

**Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets****Depreciation and amortisation**

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

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(d) Other expenses</b>		
Advertising	149	230
Training costs (other than salaries and wages)	–	–
Travel expenses	–	–
Bad and doubtful debts	39	117
Bank charges	43	67
Cleaning	439	397
Contributions/levies to other levels of government		
– Department of planning levy	95	93
– Emergency services levy (includes FRNSW, SES, and RFS levies)	68	57
– NSW fire brigade levy	718	619
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	142	139
Councillors' expenses (incl. mayor) – other (excluding fees above)	20	34
Donations, contributions and assistance to other organisations (Section 356)	39	108
Electricity, heating and water	384	387
Insurance	900	443
Office expenses (including computer expenses)	190	688
Postage	111	154
Printing and stationery	107	174
Security	33	54
Street lighting	490	660
Subscriptions, memberships and publications	257	134
Telephone and communications	463	332
Valuation fees	–	97
Waste disposal – tipping fees	3,607	3,365
Other	119	35
<b>Total other expenses</b>	<b>8,457</b>	<b>8,427</b>
<b>TOTAL OTHER EXPENSES</b>	<b>8,457</b>	<b>8,427</b>

**Accounting policy for other expenses**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Gain or loss from disposal of assets

<b>\$ '000</b>	Notes	<b>2020</b>	<b>2019</b>
Plant and equipment	10		
Proceeds from disposal – plant and equipment		457	505
Less: carrying amount of plant and equipment assets sold/written off		(366)	(353)
<b>Net gain/(loss) on disposal</b>		<u>91</u>	<u>152</u>
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(1,230)	(2,405)
<b>Net gain/(loss) on disposal</b>		<u>(1,230)</u>	<u>(2,405)</u>
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		31,000	38,000
Less: carrying amount of investments sold/redeemed/matured		(31,000)	(38,000)
<b>Net gain/(loss) on disposal</b>		<u>–</u>	<u>–</u>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<u>(1,139)</u>	<u>(2,253)</u>

**Accounting policy for disposal of assets**

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

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	416	845
Cash-equivalent assets		
– Deposits at call	5,319	6,039
– Short-term deposits	–	8,000
<b>Total cash and cash equivalents</b>	<b>5,735</b>	<b>14,884</b>

**Accounting policy for cash and cash equivalents**

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

## Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
'Financial assets at amortised cost' / 'held to maturity' (2019)	31,000	–	30,000	–
<b>Total Investments</b>	<b>31,000</b>	<b>–</b>	<b>30,000</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>36,735</b>	<b>–</b>	<b>44,884</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	31,000	–	30,000	–
<b>Total</b>	<b>31,000</b>	<b>–</b>	<b>30,000</b>	<b>–</b>

**Accounting policy for investments**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

**Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7(b). Investments (continued)

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Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	36,735	–	44,884	–
<b>attributable to:</b>				
External restrictions	15,980	–	22,337	–
Internal restrictions	13,920	–	13,148	–
Unrestricted	6,835	–	9,399	–
	36,735	–	44,884	–

\$ '000	2020	2019
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## Details of restrictions

**External restrictions – included in liabilities**

Specific purpose unexpended grants – general fund (2020 only)	152	–
<b>External restrictions – included in liabilities</b>	152	–

**External restrictions – other**

Developer contributions – general	12,352	18,310
Specific purpose unexpended grants (recognised as revenue) – general fund	101	1,000
Stormwater management	555	412
Domestic waste management	2,820	2,615
<b>External restrictions – other</b>	15,828	22,337
<b>Total external restrictions</b>	15,980	22,337

**Internal restrictions**

Plant and vehicle replacement	1,130	1,130
Employees leave entitlement	1,285	1,285
Carry over works	38	38
Deposits, retentions and bonds	9,004	8,773
Adshel (bus shelters)	270	270
Election	229	143
Future major expenditure	927	927
Parkscape improvements	29	29
Risk management	195	195
Technology	174	358
Financial Assistance Grant - paid in advance	639	–
<b>Total internal restrictions</b>	13,920	13,148

<b>TOTAL RESTRICTIONS</b>	29,900	35,485
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## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	736	233	443	222
Interest and extra charges	106	–	56	–
User charges and fees	212	–	430	–
Accrued revenues				
– Interest on investments	56	–	297	–
– Other income accruals	1,877	–	285	–
Government grants and subsidies	254	–	203	–
Net GST receivable	491	–	485	–
Other debtors	285	–	141	–
<b>Total</b>	<b>4,017</b>	<b>233</b>	<b>2,340</b>	<b>222</b>
<b>Less: provision of impairment</b>				
User charges and fees	(40)	–	(32)	–
<b>Total provision for impairment – receivables</b>	<b>(40)</b>	<b>–</b>	<b>(32)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>3,977</b>	<b>233</b>	<b>2,308</b>	<b>222</b>

## Externally restricted receivables

## Other

– Other restricted receivables (developer contributions accrued)

	1,173	–	–	–
<b>Total external restrictions</b>	<b>1,173</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>2,804</b>	<b>233</b>	<b>2,308</b>	<b>222</b>
<b>TOTAL NET RECEIVABLES</b>	<b>3,977</b>	<b>233</b>	<b>2,308</b>	<b>222</b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	32	–
Amount restated through opening retained earnings on adoption of AASB 9	–	23
+ new provisions recognised during the year	40	18
– amounts already provided for and written off this year	(32)	(8)
– amounts provided for but recovered during the year	–	(1)
<b>Balance at the end of the year</b>	<b>40</b>	<b>32</b>

## Accounting policy for receivables

## Recognition and measurement

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 8. Receivables (continued)

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#### Impairment

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates receivables, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates receivables, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

#### COVID 19

Council's rates and user charges collections in the current financial year have not been significantly impacted by the pandemic. Future cashflows and interest income have however been impacted in the future financial year 2020/21 as a result of State Government legislation to defer rates instalment collections to 30 September and reduce the rate of interest on arrears to 0% p.a. to 31 December 2020. The financial impact is not expected to be significant.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Inventories and other assets

<b>\$ '000</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	84	–	90	–
<b>Total inventories at cost</b>	<b>84</b>	<b>–</b>	<b>90</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>84</b>	<b>–</b>	<b>90</b>	<b>–</b>

**(b) Other assets**

Prepayments	245	–	147	–
<b>TOTAL OTHER ASSETS</b>	<b>245</b>	<b>–</b>	<b>147</b>	<b>–</b>

<b>\$ '000</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>Current</b>	<b>Non-current</b>	<b>Current</b>	<b>Non-current</b>
<b>Total externally restricted assets</b>	–	–	–	–
<b>Total internally restricted assets</b>	–	–	–	–
<b>Total unrestricted assets</b>	<b>329</b>	<b>–</b>	<b>237</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>329</b>	<b>–</b>	<b>237</b>	<b>–</b>

**Accounting policy for inventories and other assets****Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the 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.

**Land held for resale/capitalisation of borrowing costs**

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

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

## Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19				Asset movements during the reporting period					as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	4,062	–	4,062	–	1,090	(181)	–	(3,638)	–	1,331	–	1,331
Plant and equipment	8,538	(3,723)	4,815	–	707	(366)	(1,257)	246	–	8,771	(4,626)	4,145
Office equipment	5,841	(2,305)	3,536	–	1,592	–	(676)	–	–	7,433	(2,981)	4,452
<b>Land:</b>												
– Crown land	5,220	–	5,220	–	–	–	–	–	–	5,220	–	5,220
– Operational land	69,175	–	69,175	–	–	–	–	–	–	69,175	–	69,175
– Community land	39,165	–	39,165	–	–	–	–	–	–	39,165	–	39,165
Land improvements – depreciable	4,039	(277)	3,762	387	–	–	(135)	–	–	4,426	(411)	4,015
<b>Infrastructure:</b>												
– Buildings – non-specialised	9,103	(2,678)	6,425	–	296	–	(98)	–	–	9,398	(2,776)	6,622
– Buildings – specialised	43,026	(15,661)	27,365	3,030	2,841	(404)	(471)	1,500	–	49,910	(16,048)	33,862
– Roads	125,158	(39,171)	85,987	1,428	686	(326)	(1,846)	272	58,437	183,255	(38,617)	144,638
– Bridges	14,227	(9,801)	4,426	–	–	–	(51)	–	7,611	18,369	(6,383)	11,986
– Footpaths	36,585	(9,521)	27,064	1,232	18	(211)	(458)	238	2,827	39,379	(8,667)	30,712
– Bulk earthworks (non-depreciable)	31,065	–	31,065	–	38	–	–	–	5,720	36,822	–	36,822
– Stormwater drainage	57,065	(21,680)	35,385	19	–	–	(571)	–	7,931	77,856	(35,091)	42,765
– Other open space/recreational assets	39,536	(9,332)	30,204	5,646	3,592	(108)	(1,671)	1,382	–	49,796	(10,751)	39,045
<b>Other assets:</b>												
– Library books	1,837	(1,464)	373	–	86	–	(128)	–	–	1,923	(1,592)	331
– Other	1,131	(796)	335	–	252	–	(91)	–	–	855	(360)	495
<b>Total Infrastructure, property, plant and equipment</b>	<b>494,773</b>	<b>(116,409)</b>	<b>378,364</b>	<b>11,742</b>	<b>11,198</b>	<b>(1,596)</b>	<b>(7,453)</b>	<b>–</b>	<b>82,526</b>	<b>603,084</b>	<b>(128,303)</b>	<b>474,781</b>

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

continued on next page ...

# Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/18				Asset movements during the reporting period				as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>(1)</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	Assets recognised for first time	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,903	–	2,903	–	1,159	–	–	–	4,062	–	4,062
Plant and equipment	7,369	(3,192)	4,177	–	2,113	(353)	(1,120)	–	8,538	(3,723)	4,815
Office equipment	3,798	(1,844)	1,954	–	2,043	–	(461)	–	5,841	(2,305)	3,536
<b>Land:</b>											
– Operational land	69,175	–	69,175	–	–	–	–	–	69,175	–	69,175
– Community land	44,385	–	44,385	–	–	–	–	–	39,165	–	39,165
– Crown land	–	–	–	–	–	–	–	–	5,220	–	5,220
Land improvements – depreciable	3,251	(168)	3,083	788	–	–	(109)	–	4,039	(277)	3,762
<b>Infrastructure:</b>											
– Buildings – non-specialised	8,698	(2,581)	6,117	–	405	–	(97)	–	9,103	(2,678)	6,425
– Buildings – specialised	37,107	(14,802)	22,305	720	4,594	(261)	(408)	415	43,026	(15,661)	27,365
– Roads	122,031	(38,660)	83,371	5,224	138	(938)	(1,808)	–	125,158	(39,171)	85,987
– Bridges	14,227	(9,749)	4,478	–	–	–	(51)	–	14,227	(9,801)	4,426
– Footpaths	34,896	(9,339)	25,557	2,195	362	(614)	(437)	–	36,585	(9,521)	27,064
– Bulk earthworks (non-depreciable)	31,065	–	31,065	–	–	–	–	–	31,065	–	31,065
– Stormwater drainage	56,739	(21,300)	35,439	357	312	(199)	(525)	–	57,065	(21,680)	35,385
– Other open space/recreational assets	34,085	(8,322)	25,763	5,787	419	(393)	(1,372)	–	39,536	(9,332)	30,204
<b>Other assets:</b>											
– Library books	1,727	(1,346)	381	–	111	–	(119)	–	1,837	(1,464)	373
– Other	1,042	(723)	319	–	89	–	(73)	–	1,131	(796)	335
<b>Total Infrastructure, property, plant and equipment</b>	<b>472,498</b>	<b>(112,026)</b>	<b>360,472</b>	<b>15,071</b>	<b>11,745</b>	<b>(2,758)</b>	<b>(6,580)</b>	<b>415</b>	<b>494,773</b>	<b>(116,409)</b>	<b>378,364</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2020

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

**Accounting policy for infrastructure, property, plant and equipment**

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

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

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

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	Years
Office equipment	5 to 10	Open Space/Recreational	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	5		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: major structures	50 to 100
Other plant and equipment	5 to 15	Buildings: minor structures	20 to 40
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	35	Drains	80 to 100
Sealed roads: structure	100	Culverts	120
Unsealed roads	20	Flood control structures	80 to 100
Bridge: concrete	100 to 120		
Bridge: other	50 to 100	<b>Other infrastructure assets</b>	
Road pavements	100	Bulk earthworks	20
Kerb, gutter and footpaths	80 to 100	Swimming pools	50

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

**Crown reserves**

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
<b>Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	–	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	253	–
Unexpended capital contributions (to construct Council controlled assets)	(i)	–	–
Unexpended operating contributions (received prior to performance obligation being satisfied)	(ii)	–	–
<b>Total grants received in advance</b>		<b>253</b>	<b>–</b>
<b>User fees and charges received in advance:</b>			
Upfront fees – leisure centre	(iii)	–	–
Other		173	–
<b>Total user fees and charges received in advance</b>		<b>173</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>426</b>	<b>–</b>

**Notes**

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

\$ '000	2020 Current	2020 Non-current
<b>(i) Contract liabilities relating to restricted assets</b>		
<b>Externally restricted assets</b>		
Unspent grants held as contract liabilities (excl. Water & Sewer)	152	–
<b>Contract liabilities relating to externally restricted assets</b>	<b>152</b>	<b>–</b>
<b>Total contract liabilities relating to restricted assets</b>	<b>152</b>	<b>–</b>
<b>Total contract liabilities relating to unrestricted assets</b>	<b>274</b>	<b>–</b>
<b>Total contract liabilities</b>	<b>426</b>	<b>–</b>

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

<b>Grants and contributions received in advance:</b>	
Operating contributions (received prior to performance obligation being satisfied)	101
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>101</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 11. Contract assets and liabilities (continued)

**Significant changes in contract assets and liabilities**

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

**Accounting policy for contract assets and liabilities**

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

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

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

## Note 12. Leases

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

**Office and IT equipment**

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The lease is for 3 years with no renewal option, the payments are fixed, however variable payments based are applicable if usage exceeds a threshold.

\$ '000

2020

## (a) Income Statement

Expenses relating to short-term leases	26
	<u>26</u>

## (b) Statement of Cash Flows

Total cash outflow for leases	26
	<u>26</u>

**Leases at significantly below market value – concessionary / peppercorn leases**

Council has a licence over land at St Anne's Reserve, 30 Therry Street West, South Strathfield with Sydney Water at significantly below market which surrounds Sydney Water infrastructure to which they have easements to guarantee access to underground pipes.

Council does not believe that the licence is material from a statement of financial position or performance perspective.

**Accounting policy****Accounting policies under AASB 16 – applicable from 1 July 2019**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

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

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

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

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

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

**Exceptions to lease accounting**

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

**Leases at significantly below market value / concessionary leases**

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

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

Refer to Note 5c and Note 15.

## (ii) Council as a lessor

## (c) Operating leases

Council leases out a number of properties to community groups and light vehicles to council staff. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E in the Statement of Financial Position. The assets have not been classified as Investment Property as they have not been declared as such by the Council.

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

<b>\$ '000</b>	<b>2020</b>
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Room/Facility Hire	503
Leaseback fees - council vehicles	261
Other	198
<b>Total income relating to operating leases</b>	<b>962</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 12. Leases (continued)

<b>\$ '000</b>	<b>2020</b>
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**(iv) Maturity analysis of contractual lease income**

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	634
1–2 years	565
2–3 years	329
3–4 years	269
4–5 years	267
> 5 years	646
<b>Total undiscounted contractual lease income receivable</b>	<b>2,710</b>

**Accounting policy**

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

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Payables and borrowings

<b>\$ '000</b>	<b>2020 Current</b>	<b>2020 Non-current</b>	<b>2019 Current</b>	<b>2019 Non-current</b>
<b>Payables</b>				
Goods and services – operating expenditure	1,777	–	1,150	–
Goods and services – capital expenditure	1,159	–	2,027	–
Accrued expenses:				
– Salaries and wages	85	–	670	–
– Other expenditure accruals	355	–	331	–
Security bonds, deposits and retentions	9,004	–	8,772	–
Prepaid rates	327	–	318	–
<b>Total payables</b>	<u>12,707</u>	<u>–</u>	<u>13,268</u>	<u>–</u>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<u>12,707</u>	<u>–</u>	<u>13,268</u>	<u>–</u>

**(a) Payables and borrowings relating to restricted assets**

Security bonds are held as Restricted Reserves see Note 6(c). There are no other restricted assets re payables.

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>(b) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	8,100	7,500
<b>Total payables and borrowings</b>	<u>8,100</u>	<u>7,500</u>

**(c) Financing arrangements****(i) Unrestricted access was available at balance date to the following lines of credit:**

Credit cards/purchase cards	35	37
<b>Total financing arrangements</b>	<u>35</u>	<u>37</u>
<b>Undrawn facilities as at balance date:</b>		
– Credit cards/purchase cards	35	37
<b>Total undrawn financing arrangements</b>	<u>35</u>	<u>37</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Payables and borrowings (continued)

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#### **Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables.

#### **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.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
<b>Employee benefits</b>				
Annual leave	1,692	–	1,385	–
Sick leave	39	–	38	–
Long service leave	2,222	242	2,255	172
ELE on-costs	486	–	387	–
<b>Sub-total – aggregate employee benefits</b>	<b>4,439</b>	<b>242</b>	<b>4,065</b>	<b>172</b>
<b>TOTAL PROVISIONS</b>	<b>4,439</b>	<b>242</b>	<b>4,065</b>	<b>172</b>

**(a) Provisions relating to restricted assets**

There are no external restricted assets applicable to above provisions refer note 6(c).

\$ '000	2020	2019
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**(b) Current provisions not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	2,752	2,079
	<u>2,752</u>	<u>2,079</u>

**Accounting policy for provisions**

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**Employee benefits****Short-term obligations**

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

**Other long-term employee benefit obligations**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. Provisions (continued)

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

**On-costs**

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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

The revaluation reserve is used to record increments / decrements of infrastructure, property, plant and equipment (IPPE) due to their revaluation.

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

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

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

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

**Adjustments to the current year figures for the year ended 30 June 2020****Statement of Financial Position**

<b>\$ '000</b>	<b>Original Balance 1 July, 2019</b>	<b>Impact Increase/ (decrease)</b>	<b>Restated Balance 1 July, 2019</b>
<b>Total assets</b>	<b>426,015</b>	<b>–</b>	<b>426,015</b>
Contract liabilities	–	354	354
<b>Total liabilities</b>	<b>17,505</b>	<b>354</b>	<b>17,859</b>
<b>Total equity</b>	<b>408,510</b>	<b>–</b>	<b>408,156</b>

**(ii) AASB 15 and AASB 1058**

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

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

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

**Principal v agent**

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

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

**Licences**

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

**Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

**Grants – operating**

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

**Grants – capital**

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

**Changes in presentation**

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

- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	–
– Under AASB 1058	354
<b>Total Contract liabilities</b>	<b>354</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

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

## Statement of Financial Position

<b>\$ '000</b>	<b>Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058</b>	<b>Reclassific- ation</b>	<b>Remeasur- ement</b>	<b>Carrying amount under previous revenue standards</b>	<b>Notes</b>
<b>Current assets</b>					
Cash and cash equivalents	5,735	–	–	5,735	
Investments	31,000	–	–	31,000	
Receivables	3,977	–	–	3,977	
Inventories	84	–	–	84	
Other	245	–	–	245	
<b>Total current assets</b>	<b>41,041</b>	<b>–</b>	<b>–</b>	<b>41,041</b>	
<b>Current liabilities</b>					
Payables	12,707	–	–	12,707	
Contract liabilities	426	–	(426)	–	
Provisions	4,439	–	–	4,439	
<b>Total current liabilities</b>	<b>17,572</b>	<b>–</b>	<b>(426)</b>	<b>17,146</b>	
<b>Non-current assets</b>					
Receivables	233	–	–	233	
Infrastructure, property, plant and equipment	474,781	–	–	474,781	
<b>Total non-current assets</b>	<b>475,014</b>	<b>–</b>	<b>–</b>	<b>475,014</b>	
<b>Non-current liabilities</b>					
Provisions	242	–	–	242	
<b>Total Non-current liabilities</b>	<b>242</b>	<b>–</b>	<b>–</b>	<b>242</b>	
<b>Net assets</b>	<b>498,241</b>	<b>–</b>	<b>426</b>	<b>498,667</b>	
<b>Equity</b>					
Accumulated surplus	213,449	–	–	213,449	
Revaluation reserves	284,792	–	–	284,792	
<b>Council equity interest</b>	<b>498,241</b>	<b>–</b>	<b>–</b>	<b>498,241</b>	
<b>Total equity</b>	<b>498,241</b>	<b>–</b>	<b>–</b>	<b>498,241</b>	

## Income Statement

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

<b>\$ '000</b>	<b>Income Statement and comprehensive income under AASB 15 and AASB 1058</b>	<b>Reclassification</b>	<b>Remeasurement</b>	<b>Income Statement and comprehensive income under previous revenue standards</b>	<b>Notes</b>
<u>Income from continuing operations</u>					
Rates and annual charges	31,089	–	–	31,089	
User charges and fees	3,551	792	173	4,516	
Other revenues	2,784	170	–	2,954	
Grants and contributions provided for operating purposes	2,957	–	253	3,210	
Grants and contributions provided for capital purposes	8,928	–	–	8,928	
Interest and investment income	749	–	–	749	
Rental income	962	(962)	–	–	
<b>Total Income from continuing operations</b>	<b>51,020</b>	<b>–</b>	<b>426</b>	<b>51,446</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	18,914	–	–	18,914	
Materials and contracts	7,498	–	–	7,498	
Depreciation and amortisation	7,453	–	–	7,453	
Other expenses	8,457	–	–	8,457	
Net losses from the disposal of assets	1,139	–	–	1,139	
<b>Total Expenses from continuing operations</b>	<b>43,461</b>	<b>–</b>	<b>–</b>	<b>43,461</b>	
<b>Total Operating result from continuing operations</b>	<b>7,559</b>	<b>–</b>	<b>426</b>	<b>7,985</b>	
Net operating result for the year	7,559	–	426	7,985	
<b>Total comprehensive income</b>	<b>90,085</b>	<b>–</b>	<b>–</b>	<b>90,085</b>	

## (iii) AASB 16 Leases

**Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

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

**Financial statement impact of adoption of AASB 16**

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for photocopiers which are all low value assets.

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>105</b>

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

Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies,  
changes in accounting estimates and errors (continued)

<b>\$ '000</b>	<b>Balance at 1 July 2019</b>
<b>Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases</b>	
<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	105
<b>Less:</b>	
Leases for low-value assets included in commitments note	<u>(105)</u>
<b>Lease liabilities recognised at 1 July 2019</b>	<u>–</u>

**Council as a lessor**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	5,735	14,884
<b>Balance as per the Statement of Cash Flows</b>		<b>5,735</b>	<b>14,884</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		7,559	7,347
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		7,453	6,580
Net losses/(gains) on disposal of assets		1,139	2,253
Non-cash capital grants and contributions		–	(415)
Adoption of AASB 15/1058		(354)	–
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(1,688)	(154)
Increase/(decrease) in provision for impairment of receivables		8	9
Decrease/(increase) in inventories		6	120
Decrease/(increase) in other current assets		(98)	(64)
Increase/(decrease) in payables		627	(42)
Increase/(decrease) in other accrued expenses payable		(561)	239
Increase/(decrease) in other liabilities		241	892
Increase/(decrease) in contract liabilities		426	–
Increase/(decrease) in provision for employee benefits		444	263
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>15,202</b>	<b>17,028</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 17. Commitments

\$ '000	2020	2019
<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>		
Plant and equipment	875	68
Land Improvements	56	128
Infrastructure assets	360	3,595
<b>Total commitments</b>	<b>1,291</b>	<b>3,791</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	1,291	3,791
<b>Total payable</b>	<b>1,291</b>	<b>3,791</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	171	224
Section 7.11 and 64 funds/reserves	1,120	3,567
<b>Total sources of funding</b>	<b>1,291</b>	<b>3,791</b>

**Details of capital commitments**

The council has committed to street tree planting, completion of CCTV roll out, development of the Hudson District Park and completion of the renewal of building facilities in open spaces and also finishing road works commenced in 18/19.

\$ '000	2020	2019
<b>(b) Non-cancellable operating lease commitments (2019 only)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	–	32
Later than one year and not later than 5 years	–	73
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>105</b>

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

Computers &amp; Photocopiers

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

**Conditions relating to finance and operating leases:**

– All finance agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Refer to Note 12 for information relating to leases for 2020.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Contingencies

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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB120 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

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

*Description of the funding arrangements.*

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The future standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times member contributions for non-180 point members; Nil for 180 point members*
Division C	2.5% salaries
Division D	1.64 times member contributions

\*for 180 point members. Council is required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each pooled employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

*Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan*

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 18. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$223,013.37. The last valuation of the Scheme was performed by Mr Richard Boyfield FIAA as at 30 June 2019.

The amount of past service contributions included in the total employer contribution advised above is \$132,214.16. Council's expected contribution to the plan for the next annual reporting period is \$129,400.00.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

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

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of 0.32% or \$249,600.00 as at 30 June 2020.

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 Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

**(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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 18. Contingencies (continued)

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#### (iv) Other guarantees

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

#### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) 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.

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.

##### (iii) Costs order

Costs Order | Aussie Skips Recycling Pty Ltd v Strathfield Municipal Council [2020] NSWLEC 22 (Proceedings)

The Court ordered that the Plaintiffs pay the Defendant's costs. This order has not been stayed, however it would appear that all of the orders made by Duggan J have been appealed by the Appellants in the NSW Court of Appeal proceedings No. 2020/114142 (Appeal).

Council may reasonably expect to receive \$250,000 per the Costs Order as against the Plaintiffs in the Proceedings. Ultimately however, this amount will be the subject of an agreement or costs assessment following the outcome of the Appeal.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. 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.

<b>\$ '000</b>	<b>Carrying value 2020</b>	<b>Carrying value 2019</b>	<b>Fair value 2020</b>	<b>Fair value 2019</b>
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	5,735	14,884	5,735	14,884
Receivables (excluding GST receivable)	3,719	2,045	3,719	2,013
Investments				
– 'Financial assets at amortised cost'	31,000	30,000	31,000	30,000
<b>Total financial assets</b>	<b>40,454</b>	<b>46,929</b>	<b>40,454</b>	<b>46,897</b>
<b>Financial liabilities</b>				
Payables	12,380	13,268	12,380	12,950
<b>Total financial liabilities</b>	<b>12,380</b>	<b>13,268</b>	<b>12,380</b>	<b>12,950</b>

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

<b>\$ '000</b>	<b>Increase of values/rates</b>		<b>Decrease of values/rates</b>	
	<b>Profit</b>	<b>Equity</b>	<b>Profit</b>	<b>Equity</b>
<b>2020</b>				
Possible impact of a 0.25% movement in interest rates	250	250	(250)	(250)
<b>2019</b>				
Possible impact of a 0.25% movement in interest rates	120	120	(120)	(120)

## (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, other than Council has significant credit risk exposures in its local area given the nature of the business.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Financial risk management (continued)

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The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable in the financial statements.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. Other than the receivable relating to the bank guarantee (see Note 23), there are no material receivables that have been subjected to a re-negotiation of repayment terms.

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management (continued)

## Credit risk profile

## Receivables – rates and annual charges

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

\$ '000	<i>Not yet overdue</i>	<i>&lt; 1 year overdue</i>	<i>1 - 2 years overdue</i>	<i>2 - 5 years overdue</i>	<i>&gt; 5 years overdue</i>	<i>Total</i>
<b>2020</b>						
Gross carrying amount	–	646	254	16	53	969
<b>2019</b>						
Gross carrying amount	–	443	174	11	37	665

## Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	<i>Not yet overdue</i>	<i>0 - 30 days overdue</i>	<i>31 - 60 days overdue</i>	<i>61 - 90 days overdue</i>	<i>&gt; 91 days overdue</i>	<i>Total</i>
<b>2020</b>						
Gross carrying amount	135	1,185	9	75	1,877	3,281
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	2.13%	1.22%
<b>ECL provision</b>	–	–	–	–	40	40
<b>2019</b>						
Gross carrying amount	83	1,338	193	–	283	1,897
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	11.30%	1.69%
<b>ECL provision</b>	–	–	–	–	32	32

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Financial risk management (continued)

## (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

<b>\$ '000</b>	<b>Weighted average interest rate</b>	<b>Subject to no maturity</b>	<b>≤ 1 Year</b>	<b>payable in:</b>		<b>Total cash outflows</b>	<b>Actual carrying values</b>
				<b>1 - 5 Years</b>	<b>&gt; 5 Years</b>		
<b>2020</b>							
Trade/other payables	0.00%	9,004	3,702	–	–	12,706	12,380
<b>Total financial liabilities</b>		<b>9,004</b>	<b>3,702</b>	<b>–</b>	<b>–</b>	<b>12,706</b>	<b>12,380</b>
<b>2019</b>							
Trade/other payables	0.00%	8,772	4,178	–	–	12,950	12,950
<b>Total financial liabilities</b>		<b>8,772</b>	<b>4,178</b>	<b>–</b>	<b>–</b>	<b>12,950</b>	<b>12,950</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 20. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 07/05/2019 and is unaudited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	29,875	31,089	1,214	4%	F
<b>User charges and fees</b>	4,730	3,551	(1,179)	(25)%	U
The reduction in user fees & charges is a result of rental income now being reported separately(see below).					
<b>Other revenues</b>	3,623	2,784	(839)	(23)%	U
Council's revenues have been impacted as a result of a reduction in the use of Council's services and facilities due to Covid 19. This includes a reduction in revenue from parking fines as well as a reduction in recovery of legal costs.					
<b>Operating grants and contributions</b>	2,555	2,957	402	16%	F
New environmental protection grants for Cooks River Open Space Corridor Spatial Framework Metropolitan Greenspace Program and additional RMS contributions for Block Grant and the Road repair program.					
<b>Capital grants and contributions</b>	11,178	8,928	(2,250)	(20)%	U
The reduction in capital grants is a matter of timing and whether Council's grant applications have been approved for funding by commonwealth or state agencies.					
<b>Interest and investment revenue</b>	1,390	749	(641)	(46)%	U
The reduction in interest and investment return is a result of Council's large capital works program funded from reserves and reduced returns on investments by banking institutions.					
<b>Rental income</b>	-	962	962	∞	F
Rental income was previously reported in user charges and fees					
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	18,774	18,914	(140)	(1)%	U
<b>Materials and contracts</b>	8,017	7,498	519	6%	F
<b>Depreciation and amortisation</b>	6,487	7,453	(966)	(15)%	U
The increase in depreciation costs is as a result of Council's large capital works program over the past two years, with the constructed assets now amortised over their useful lives.					
<b>Other expenses</b>	8,875	8,457	418	5%	F
<b>Net losses from disposal of assets</b>	20	1,139	(1,119)	(5,595)%	U
The budget variation is due to the projected loss on disposal of assets not in the original budget.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Material budget variations (continued)

<i>\$ '000</i>	<i>2020 Budget</i>	<i>2020 Actual</i>	<i>2020 ----- Variance -----</i>	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Cash flows from operating activities</b>	<b>18,716</b>	<b>15,202</b>	<b>(3,514)</b>	<b>(19)% U</b>
The budget variation was due to a reduction in revenues including receipt of grants and reduced income on investments.				
<b>Cash flows from investing activities</b>	<b>(16,293)</b>	<b>(24,351)</b>	<b>(8,058)</b>	<b>49% U</b>
The budget variation was due to additional works provided in quarterly budget reviews.				

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement

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

2020	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	30/06/20	–	–	4,145	4,145
Office Equipment	30/06/20	–	–	4,452	4,452
Operational Land	30/06/18	–	69,175	–	69,175
Community Land	30/06/17	–	–	39,165	39,165
Crown Land	30/06/17	–	–	5,220	5,220
Land Improvements depreciable	30/06/16	–	–	4,015	4,015
Open Space/Recreational Assets	30/06/16	–	–	39,045	39,045
Buildings Non Specialised	30/06/18	–	6,622	–	6,622
Buildings Specialised	30/06/18	–	–	33,862	33,862
Roads	30/06/20	–	–	144,638	144,638
Bridges	30/06/20	–	–	11,986	11,986
Footpaths	30/06/20	–	–	30,712	30,712
Bulk Earthworks (non depreciable)	30/06/20	–	–	36,822	36,822
Stormwater Drainage	30/06/20	–	–	42,765	42,765
Library Books	30/06/16	–	–	331	331
Other	30/06/16	–	–	495	495
<b>Total infrastructure, property, plant and equipment</b>		–	75,797	397,653	473,450

2019	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	30/06/19	–	–	4,815	4,815
Office Equipment	30/06/19	–	–	3,536	3,536
Operational Land	30/06/18	–	69,175	–	69,175
Community Land	30/06/17	–	–	44,385	44,385

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

<b>2019</b>	<b>Date of latest valuation</b>	<b>Level 1 Quoted prices in active mkts</b>	<b>Level 2 Significant observable inputs</b>	<b>Level 3 Significant unobservable inputs</b>	<b>Total</b>
Crown Land	30/06/17	–	–	–	–
Land Improvements depreciable	30/06/16	–	–	3,762	3,762
Open Space/Recreational Assets	30/06/16	–	–	30,204	30,204
Buildings Non Specialised	30/06/18	–	6,425	–	6,425
Buildings Specialised	30/06/18	–	–	27,365	27,365
Roads	30/06/15	–	–	85,987	85,987
Bridges	30/06/15	–	–	4,426	4,426
Footpaths	30/06/15	–	–	27,064	27,064
Bulk Earthworks (non depreciable)	30/06/15	–	–	31,065	31,065
Stormwater Drainage	30/06/15	–	–	35,385	35,385
Library Books	30/06/16	–	–	374	374
Other	30/06/16	–	–	335	335
<b>Total infrastructure, property, plant and equipment</b>		–	75,600	298,703	374,303

Note that capital WIP is not included above since it is carried at cost.

## (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.

## (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 (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

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

**Infrastructure, property, plant and equipment (IPP&E)****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 2018 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 professional judgements were required to determine the inputs these assets were classified as having been valued using Level 2 valuation inputs. There has been no change to the valuation techniques during the reporting period.

**Community Land**

Council's community land was valued based on the Land Value (LV) provided by the Valuer-General.

Where the Valuer-General did not provide LV an average unit rate based on the LV for similar community land was used, having regard to the highest and best use for the land. The valuation of community land was undertaken as at 30 June 2017.

**Land Under Roads**

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Fair Value Measurement (continued)

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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**

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 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.

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

Council's buildings were valued utilising the cost approach by an external valuer in June 2018.

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 2 and 3 inputs. There has been no change to the valuation techniques during the reporting period.

#### **Roads**

Roads include bulk earthworks, carriageway, roadside shoulders and road-side assets such as bus shelters, roundabouts, signs and street furniture. The cost approach using level 3 inputs was used to value this asset class. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers cost and assumptions from Council's civil design staff. No market based evidence (Level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

#### **Bridges**

Bridges were valued under the cost approach using Level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers costs and assumptions from Council's civil design staff. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this class of asset.

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

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

Footpaths and Kerb & Gutter are segmented to match the adjacent road segment where possible. Footpaths and Kerb & Gutter were originally mapped and the condition assessed based on physical inspection. Condition information is updated as changes in the network are observed through regular inspections.

Footpaths and Kerb & Gutter were valued under the cost approach using Level 3 inputs. A revaluation was undertaken as at 30 June 2020 in-house based on tenderers cost per square metre or lineal metre and assumptions from Council's civil design staff. No market based evidence (level 2) inputs are available therefore Level 3 valuation inputs were used for this asset class.

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

#### **Stormwater Drainage**

Assets within this class comprise pits, pipes, open channels, headwalls and other water quality devices. The "cost approach" estimates the replacement cost for each asset by componentising the assets into significant parts with different useful lives

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 21. Fair Value Measurement (continued)

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and taking into account a range of factors. While the unit rates based on linear metres or certain diameter pipes and prices per pit or similar could be supported from extensive professional judgement and market evidence.

A revaluation was undertaken as at 30 June 2020 in-house based on tenderers costs and assumptions by Council's civil design staff, and there has been no change to the valuation process during the reporting period.

#### **Library Books**

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

#### **Other Assets**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

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

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

<b>\$ '000</b>	<b>Plant and equipment</b>	<b>Community and Crown Land</b>	<b>Land improvement s depreciable</b>	<b>Specialised buildings</b>	<b>Roads</b>
<b>2019</b>					
<b>Opening balance</b>	6,131	44,385	3,083	22,305	83,371
Purchases (GBV)	4,156	–	788	5,314	5,362
Disposals (WDV)	(353)	–	–	(261)	(938)
Depreciation and impairment	(1,583)	–	(109)	(408)	(1,808)
Other movement - Revaluation	–	–	–	415	–
<b>Closing balance</b>	<b>8,351</b>	<b>44,385</b>	<b>3,762</b>	<b>27,365</b>	<b>85,987</b>
<b>2020</b>					
<b>Opening balance</b>	8,351	44,385	3,762	27,365	85,987
Purchases (GBV)	2,545	–	388	7,372	2,386
Disposals (WDV)	(366)	–	–	(404)	(326)
Depreciation and impairment	(1,933)	–	(135)	(471)	(1,846)
Other movement - Revaluation	–	–	–	–	58,437
<b>Closing balance</b>	<b>8,597</b>	<b>44,385</b>	<b>4,015</b>	<b>33,862</b>	<b>144,638</b>

<b>\$ '000</b>	<b>Bridges</b>	<b>Footpaths</b>	<b>Bulk earthworks (non-deprecia ble)</b>	<b>Stormwater drainage</b>	<b>Library books</b>
<b>2019</b>					
<b>Opening balance</b>	4,478	25,557	31,065	35,439	381
Purchases (GBV)	–	2,557	–	669	111
Disposals (WDV)	–	(614)	–	(199)	–
Depreciation and impairment	(52)	(436)	–	(524)	(118)
<b>Closing balance</b>	<b>4,426</b>	<b>27,064</b>	<b>31,065</b>	<b>35,385</b>	<b>374</b>
<b>2020</b>					
<b>Opening balance</b>	4,426	27,064	31,065	35,385	374
Purchases (GBV)	–	1,488	37	20	86
Disposals (WDV)	–	(211)	–	–	–
Depreciation and impairment	(51)	(458)	–	(571)	(128)
Other movement - Revaluation	7,611	2,827	5,720	7,931	–
<b>Closing balance</b>	<b>11,986</b>	<b>30,710</b>	<b>36,822</b>	<b>42,765</b>	<b>332</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Fair Value Measurement (continued)

<b>\$ '000</b>	<b>Open space/recreati onal and other</b>	<b>Total</b>
<b>2019</b>		
<b>Opening balance</b>	26,082	<b>282,277</b>
Purchases (GBV)	6,295	<b>25,252</b>
Disposals (WDV)	(393)	<b>(2,758)</b>
Depreciation and impairment	(1,445)	<b>(6,483)</b>
Other movement - Revaluation	–	<b>415</b>
<b>Closing balance</b>	30,539	<b>298,703</b>
<b>2020</b>		
<b>Opening balance</b>	30,539	<b>298,703</b>
Purchases (GBV)	10,871	<b>25,193</b>
Disposals (WDV)	(108)	<b>(1,415)</b>
Depreciation and impairment	(1,762)	<b>(7,355)</b>
Other movement - Revaluation	–	<b>82,526</b>
<b>Closing balance</b>	39,540	<b>397,652</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 2020

**Note 22. Related party disclosures**

**(a) Key management personnel**

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

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

	<b>2020</b>	<b>2019</b>
<b>\$ '000</b>		
<b>Compensation:</b>		
Short-term benefits	1,425	1,345
Post-employment benefits	112	104
Other long-term benefits	228	162
<b>Total</b>	<b>1,765</b>	<b>1,611</b>

**(b) Other transactions with KMP and their related parties**

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

## Notes to the Financial Statements

for the year ended 30 June 2020

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

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Council is aware of the following 'adjusting and non-adjusting events' that merit disclosure:  
A bank guarantee was provided to Council in 2005 in lieu of Section 94 contributions.

The Developer made contact with Council on 11 May 2020 requesting the return, amongst other things, of the subject bank guarantee. The Developer's lawyer wrote to Council on 9 July 2020 asking for an extension to look over material and determine whether conditions of consent were met.

\$1,173,174.09 was claimed from the Commonwealth Bank on 23 September 2020 and deposited in Council's bank account six days later.

Considering the time that lapsed since the subject development was completed and occupied, Council has raised an invoice in the current financial year 2020/21 based on CPI indexation since 19 July 2004.

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

# Strathfield Municipal Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 24. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

#### Summary of contributions and levies

\$ '000	as at 30/06/19		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)
	Opening Balance	Cash	Non-cash	as at 30/06/20					
Parking	412	–	–	–	3	–	–	415	–
Community facilities	2,381	527	–	–	–	(3,769)	–	(861)	–
Roads and traffic facilities	4,839	189	–	–	27	(1,434)	–	3,621	–
Major open space	1,257	2,664	–	–	–	(4,823)	–	(902)	–
Local open space	3,347	941	–	–	24	(1,053)	–	3,259	–
Administration	759	53	–	–	6	–	–	818	–
<b>S7.11 contributions – under a plan</b>	12,995	4,374	–	–	60	(11,079)	–	6,350	–
<b>S7.12 levies – under a plan</b>	4,451	643	–	–	38	–	–	5,132	–
<b>Total S7.11 and S7.12 revenue under plans</b>	17,446	5,017	–	–	98	(11,079)	–	11,482	–
S7.11 not under plans	864	–	–	–	6	–	–	870	–
<b>Total contributions</b>	<b>18,310</b>	<b>5,017</b>	<b>–</b>	<b>–</b>	<b>104</b>	<b>(11,079)</b>	<b>–</b>	<b>12,352</b>	<b>–</b>

**Strathfield Municipal Council**  
**Notes to the Financial Statements**  
 for the year ended 30 June 2020

**Note 24. Statement of developer contributions (continued)**

	as at 30/06/19		Contributions received during the year				as at 30/06/20		
	Opening Balance		Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
<b>S7.11 Contributions – under a plan</b>									
<b>CONTRIBUTION PLAN 2010 – DIRECT</b>									
Community facilities	2,381		527	-	-	(3,769)	-	(861)	-
Administration	759		53	-	6	-	-	818	-
Roads and traffic facilities	4,012		189	-	22	(1,434)	-	2,789	-
Major open space	1,248		2,664	-	-	(4,823)	-	(911)	-
Local open space	3,347		941	-	24	(1,053)	-	3,259	-
<b>Total</b>	<b>11,747</b>		<b>4,374</b>		<b>52</b>	<b>(11,079)</b>		<b>5,094</b>	
<b>CONTRIBUTION PLAN 1993</b>									
Parking	412		-	-	3	-	-	415	-
Roads and traffic facilities	827		-	-	5	-	-	832	-
Major open space	9		-	-	-	-	-	9	-
<b>Total</b>	<b>1,248</b>				<b>8</b>			<b>1,256</b>	
<b>S7.12 Levies – under a plan</b>									
<b>INDIRECT DEVELOPMENT CONTRIBUTIONS PLAN – 2010</b>									
General levy	4,451		643	-	38	-	-	5,132	-
<b>Total</b>	<b>4,451</b>		<b>643</b>		<b>38</b>			<b>5,132</b>	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/06/19		Contributions received during the year			as at 30/06/20			
	Opening Balance		Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.11 Contributions – not under a plan									
CONTRIBUTIONS – NOT UNDER A PLAN									
Parking	864		-	-	6	-	-	870	-
Total	864		-	-	6	-	-	870	-

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	(230)	(0.55)%	6.80%	5.20%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	42,092				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	39,135	76.71%	79.63%	71.81%	>60.00%
Total continuing operating revenue <sup>1</sup>	51,020				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	23,888	3.64x	3.24x	3.58x	>1.50x
Current liabilities less specific purpose liabilities	6,568				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	7,223	∞	∞	∞	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	-				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	1,075	3.36%	2.39%	2.24%	<5.00%
Rates, annual and extra charges collectible	31,954				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	36,735	12.80	15.10	17.70	>3.00
Monthly payments from cash flow of operating and financing activities	2,871	mths	mths	mths	mths

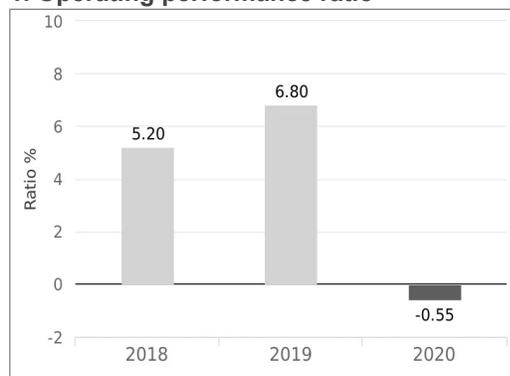
(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

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

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

Note 25(b). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (0.55)%

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 OLG is greater than zero per cent. The Council fell below the OLG benchmark for the current reporting period.

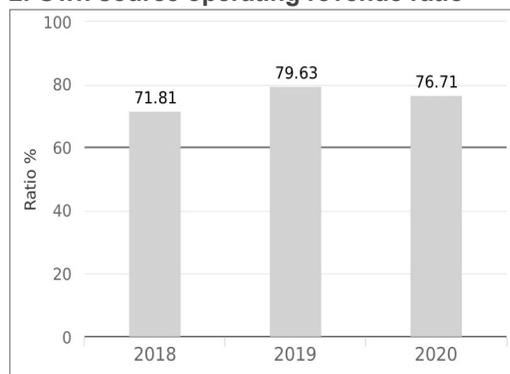
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 76.71%

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

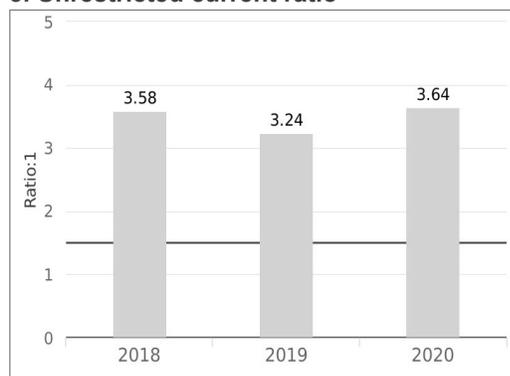
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 3.64x

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

Benchmark: — > 1.50x

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

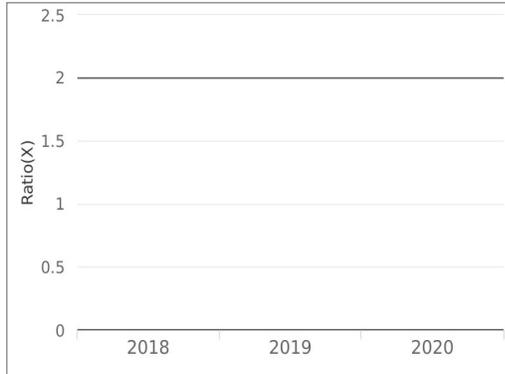
Ratio achieves benchmark

Ratio is outside benchmark

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

Note 25(b). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



**Purpose of debt service cover ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio ∞

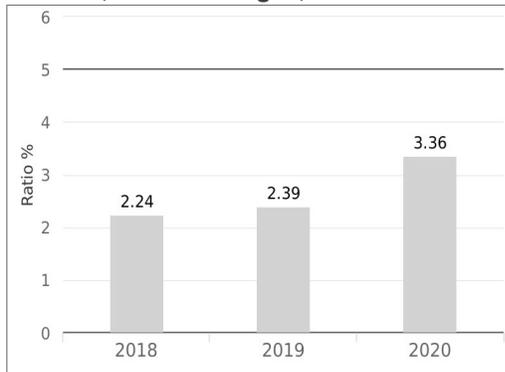
Benchmark: — > 2.00x

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

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



**Purpose of rates, annual charges, interest and extra charges outstanding**

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

**Commentary on 2019/20 result**

2019/20 ratio 3.36%

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

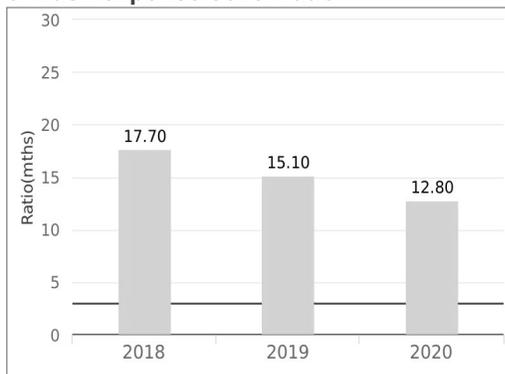
Benchmark: — < 5.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



**Purpose of cash expense cover ratio**

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

**Commentary on 2019/20 result**

2019/20 ratio 12.80 mths

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

Benchmark: — > 3.00mths

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

Ratio achieves benchmark

Ratio is outside benchmark

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Council information and contact details

### Note 26. Council information and contact details

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**Principal place of business:**

65 Homebush Rd  
Strathfield NSW 2135

**Contact details**

**Mailing Address:**

PO Box 120  
Strathfield NSW 2135

**Opening hours:**

8:30am - 5:00pm  
Monday to Friday

**Telephone:** (02) 9748 9999

**Facsimile:** (02) 9764 1034

**Internet:** [www.strathfield.nsw.gov.au](http://www.strathfield.nsw.gov.au)

**Email:** [council@strathfield.nsw.gov.au](mailto:council@strathfield.nsw.gov.au)

**Officers**

**Chief Executive/Responsible Accounting Officer**

Henry Wong

**Public Officer**

Geoff Baker

**Auditors**

Audit Office NSW  
Level 19, Darling Park Tower 2, 201 Sussex Street, Sydney  
NSW 2000

**Elected members**

**Mayor**

Antoine Doueïhi

**Councillors**

Matthew Blackmore  
Maryanne Duggan  
Nella Hall  
Stephanie Kokkolis  
Karen Pensabene  
Gulian Vaccari

**Other information**

**ABN:** 52 719 940 263



## INDEPENDENT AUDITOR'S REPORT

### Report on the general purpose financial statements

#### Strathfield Municipal Council

To the Councillors of the Strathfield Municipal Council

### Opinion

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

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

### **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

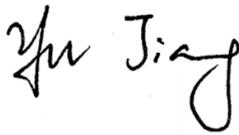
- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Reiky Jiang  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 November 2020  
SYDNEY



Mr Antoine Doueih  
Mayor  
Strathfield Municipal Council  
PO Box 120  
STRATHFIELD NSW 2135

Contact: Reiky Jiang  
Phone no: 02 9275 7281  
Our ref: D2019005/ 1789

19 November 2020

Dear Mayor

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

I have audited the general purpose financial statements (GPFS) of the Strathfield Municipal Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I identified the following significant audit issue and observation during my audit of the Council's financial statements. This issue and observation was addressed as part of my audit.

### **Documentation of comprehensive revaluation**

Council performed a comprehensive revaluation of its road infrastructure assets during 2019–20. During the interim phase of the audit, we highlighted the importance of preparing robust documentation for the Council's condition assessment, methodology, unit cost calculation and fixed assets register.

We received the relevant work papers during the final phase of the audit in October 2020. As a part of the audit, we found the Council can considerably improve its documentation and quality review process of the asset revaluation.

## INCOME STATEMENT

### Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	31.1	29.0	↑ 7.2
Grants and contributions revenue	11.9	9.9	↑ 20.2
Operating result from continuing operations	7.6	7.3	↑ 4.1
Net operating result before capital grants and contributions	(1.4)	0.6	↓ 33.3

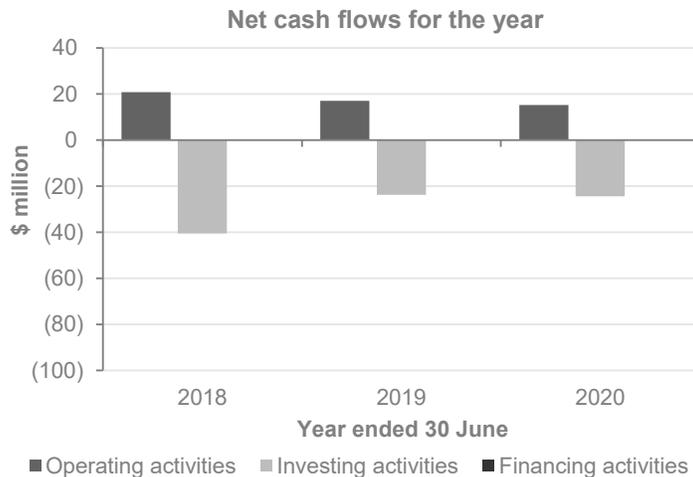
The Council's operating result from continuing operations (\$7.6 million including depreciation and amortisation expense of \$7.5 million) was \$0.3 million higher than the 2018–19 result. This is mainly attributed by the:

- increase in rates and annual charges of \$2.1 million (or 7.2 per cent) as a result of higher rates levied to ratepayers for residential and domestic waste management
- increase in grants and contributions of \$2.0 million (or 20.2 per cent) because of higher capital funding received for recreation and culture
- increase in employee related expense of \$3.4 million (or 22.1 per cent) due to higher number of staff and the timing of pay periods during the year.

The net operating result before capital grants and contributions of \$(1.4 million) was \$2.0 million lower than the 2018–19 result, which is mainly due to the increase in capital grants and contributions of \$2.2 million.

## STATEMENT OF CASH FLOWS

- Net cash provided by operating activities decreased by \$1.8 million from prior year. This is mainly due to lower other revenues received in the current year.
- Net cash used in investing activities increased slightly by \$0.7 million from 2018–19.
- Council does not have any cash flows from financing activities.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	16.0	22.3	<ul style="list-style-type: none"> <li>Externally restricted cash and investments decreased by \$6.3 million mainly due to less developer contribution cash being received than the related capital work costs incurred during the year.</li> </ul>
Internal restrictions	13.9	13.1	
Unrestricted	6.8	9.4	
<b>Cash and investments</b>	<b>36.7</b>	<b>44.8</b>	<ul style="list-style-type: none"> <li>Internally restricted cash and investments are largely consistent with prior year.</li> <li>Unrestricted cash and investments decreased by \$2.6 million as a result of higher employee related expenses.</li> </ul>

## PERFORMANCE

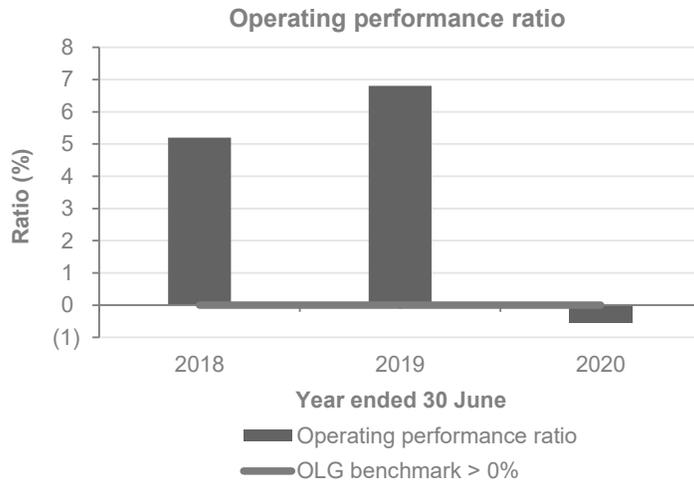
### Performance measures

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

### Operating performance ratio

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

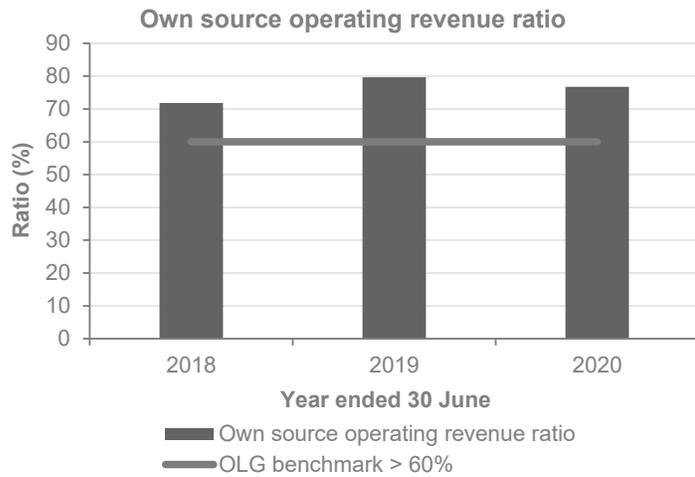
The Council did not meet the OLG benchmark for the current reporting period due to higher capital grants and contributions of \$2.2 million.



### Own source operating revenue ratio

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

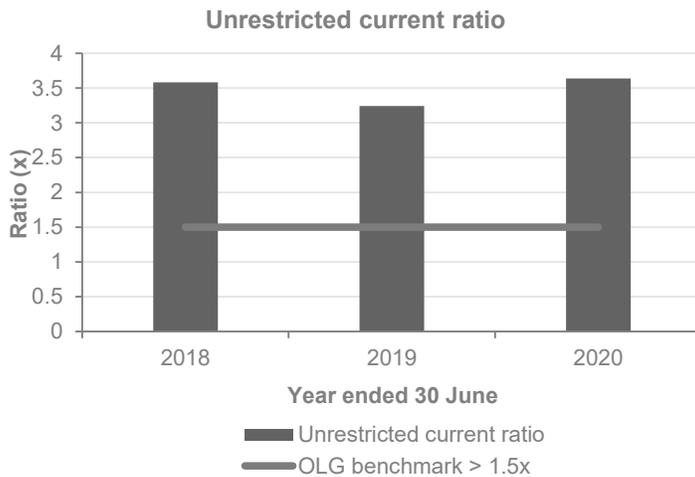
The Council met the OLG benchmark for the current reporting period.



### Unrestricted current ratio

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

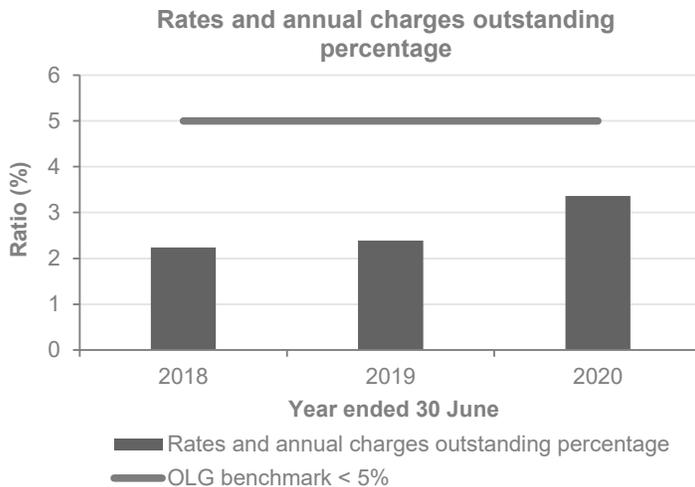
The Council exceeded the OLG benchmark for the current reporting period.



### Rates and annual charges outstanding per centage

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

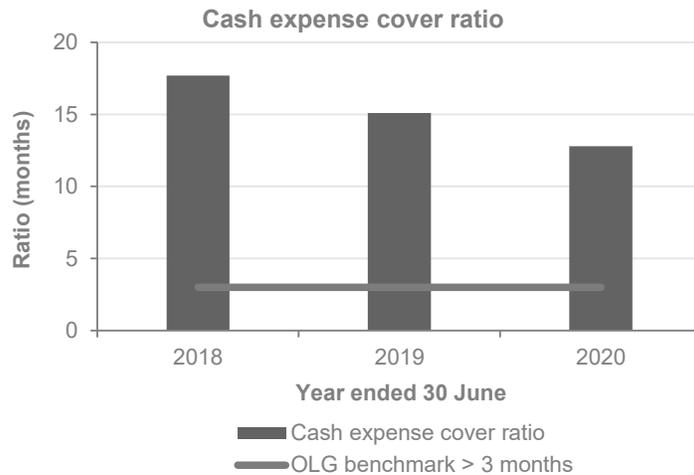
The Council met the OLG benchmark for the current reporting period. The increase in the ratio was mainly due to higher amounts of outstanding rates at year end.



## Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period. The decrease in this ratio was due to the amount of financial assets being sold to fund expenditure and capital works during the year.



## Infrastructure, property, plant and equipment renewals

The Council's asset renewal expenditure in the 2019–20 year was \$11.7 million (2018–19 - \$15.1 million). In 2019–20, renewal projects were largely related to spending on open space and recreational assets, and park upgrades.

## OTHER MATTERS

### Impact of new accounting standards

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

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

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

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

The Council recognised a \$0.4 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

#### AASB 16 'Leases'

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

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

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

The Council did not recognise any right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16 as the impact was not material.

The Council disclosed the impact of adopting AASB 16 in Note 12 and 15.

### **Legislative compliance**

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

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



Reiky Jiang  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Henry Wong, Chief Executive Officer  
Mr Brian Hrnjak, Chair of Audit, Risk and Improvement Committee  
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

# Strathfield Municipal Council

## SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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## Special Purpose Financial Statements

for the year ended 30 June 2020

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**Background**

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

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

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

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

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

## Special Purpose Financial Statements

for the year ended 30 June 2020

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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:**

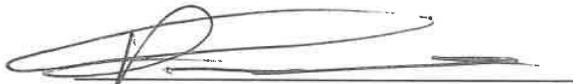
- the NSW Government Policy Statement *'Application of National Competition Policy to Local Government'*,
- the Division of Local Government Guidelines *'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality'*,
- the Local Government Code of Accounting Practice and Financial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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

**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 November 2020.**



Antoine Doueihi  
**Mayor**  
03 November 2020



Gulian Vaccari  
**Councillor**  
03 November 2020



Henry Wong  
**Chief Executive/Responsible Accounting Officer**  
03 November 2020

## Income Statement – Hudson Park Driving Range

for the year ended 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
	<b>Category 2</b>	<b>Category 2</b>
<b>Income from continuing operations</b>		
User charges	969	954
Other income	39	34
<b>Total income from continuing operations</b>	<b>1,008</b>	<b>988</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	577	673
Materials and contracts	141	81
Depreciation, amortisation and impairment	130	129
Other expenses	70	73
<b>Total expenses from continuing operations</b>	<b>918</b>	<b>956</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>90</b>	<b>32</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>90</b>	<b>32</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>90</b>	<b>32</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(25)	(9)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>65</b>	<b>23</b>
<b>Plus accumulated surplus</b>	<b>3,364</b>	<b>3,332</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Corporate taxation equivalent	25	9
<b>Add:</b>		
<b>Less:</b>		
<b>Closing accumulated surplus</b>	<b>3,454</b>	<b>3,364</b>
<b>Return on capital %</b>	<b>2.3%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>21</b>

## Statement of Financial Position – Hudson Park Driving Range

as at 30 June 2020

<b>\$ '000</b>	<b>2020</b> <b>Category 2</b>	<b>2019</b> <b>Category 2</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1	1
Inventories	5	10
<b>Total current assets</b>	<u>6</u>	<u>11</u>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	3,924	4,046
<b>Total non-current assets</b>	<u>3,924</u>	<u>4,046</u>
<b>TOTAL ASSETS</b>	<u>3,930</u>	<u>4,057</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	3	9
Provisions	77	91
<b>Total current liabilities</b>	<u>80</u>	<u>100</u>
<b>TOTAL LIABILITIES</b>	<u>80</u>	<u>100</u>
<b>NET ASSETS</b>	<u>3,850</u>	<u>3,957</u>
<b>EQUITY</b>		
Accumulated surplus	3,454	3,364
Revaluation reserves	396	593
<b>TOTAL EQUITY</b>	<u>3,850</u>	<u>3,957</u>

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies

---

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

##### Category 1

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

Nil

##### Category 2

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

#### Hudson Park Golf Driving Range

#### Monetary amounts

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

#### (i) Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are

## Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

### Note 1. Significant Accounting Policies (continued)

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

#### **Notional rate applied (%)**

Corporate income tax rate – **27.5%**

Land tax – the first \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

#### **Income tax**

An income tax equivalent has been applied on the profits of the business activities.

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

#### **Local government rates and charges**

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

#### **Loan and debt guarantee fees**

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

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.

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

### Note 1. Significant Accounting Policies (continued)

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#### (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**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

#### (iv) Dividends

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



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the special purpose financial statements**  
**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 the Strathfield Municipal Council's (the Council) Declared Business Activity, Hudson Park Driving Range, which comprise the Statement by Councillors and Management, the Income Statement of the Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of the Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activity declared by Council.

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 2020, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

**Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

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

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 November 2020  
SYDNEY

# Strathfield Municipal Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

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**Special Schedules**  
for the year ended 30 June 2020

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Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	4

## Permissible income for general rates

\$ '000	Notes	<b>Calculation 2020/21</b>	<b>Calculation 2019/20</b>
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	18,421	17,404
Plus or minus adjustments <sup>2</sup>	b	261	224
<b>Notional general income</b>	c = a + b	<b>18,682</b>	<b>17,628</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	486	476
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>19,168</b>	<b>18,104</b>
Plus (or minus) last year's carry forward total	l	83	398
Less valuation objections claimed in the previous year	m	(2)	-
<b>Sub-total</b>	n = (l + m)	<b>81</b>	<b>398</b>
<b>Total permissible income</b>	o = k + n	<b>19,249</b>	<b>18,502</b>
Less notional general income yield	p	18,750	18,421
<b>Catch-up or (excess) result</b>	q = o - p	<b>499</b>	<b>81</b>
Plus income lost due to valuation objections claimed <sup>4</sup>	r	24	2
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>523</b>	<b>83</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.
- (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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

# Strathfield Municipal Council

## Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost			2019/20 Actual maintenance \$ '000	Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring assets to agreed level of service set by Council \$ '000	Required maintenance <sup>a</sup> \$ '000				1	2	3	4	5
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>												
	Council Offices/ Administration Centres	290	290	313	401	8,527	11,570	51.0%	46.0%	3.0%	0.0%	0.0%
	Council Works Depot	100	100	195	165	2,634	3,490	57.0%	8.0%	11.0%	24.0%	0.0%
	Council Public Halls	-	-	264	332	8,528	13,362	28.0%	45.0%	27.0%	0.0%	0.0%
	Libraries	-	-	229	225	9,351	11,032	78.0%	22.0%	0.0%	0.0%	0.0%
	Cultural Facilities(Amenities)	-	-	281	295	8,215	11,253	48.0%	17.0%	23.0%	3.0%	9.0%
	Community Centre	50	50	128	117	2,742	6,794	0.0%	39.0%	59.0%	2.0%	0.0%
	Council House	-	-	30	32	487	1,807	0.0%	0.0%	72.0%	28.0%	0.0%
	<b>Sub-total</b>	<b>440</b>	<b>440</b>	<b>1,440</b>	<b>1,567</b>	<b>40,484</b>	<b>59,308</b>	<b>43.2%</b>	<b>31.4%</b>	<b>20.6%</b>	<b>3.1%</b>	<b>1.7%</b>
<b>Roads</b>												
	Sealed roads	670	670	432	315	95,562	121,317	49.0%	31.0%	20.0%	0.0%	0.0%
	Bridges	-	-	-	-	11,986	18,369	24.0%	4.0%	72.0%	0.0%	0.0%
	Footpaths	600	600	429	204	30,712	39,379	40.0%	37.0%	23.0%	0.0%	0.0%
	Other road assets	50	50	2,066	1,291	13,828	17,344	24.0%	69.0%	7.0%	0.0%	0.0%
	Bulk earthworks	-	-	-	-	36,822	36,822	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	-	-	102	56	35,248	44,595	24.0%	75.0%	1.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>1,320</b>	<b>1,320</b>	<b>3,029</b>	<b>1,866</b>	<b>224,158</b>	<b>277,826</b>	<b>47.3%</b>	<b>35.4%</b>	<b>17.4%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Stormwater drainage</b>												
	Stormwater Conduits	160	160	152	101	38,901	71,027	25.0%	5.0%	60.0%	10.0%	0.0%
	Stormwater Inlet & Junction Pits	-	-	-	-	3,864	6,829	26.0%	33.0%	36.0%	5.0%	0.0%
	<b>Sub-total</b>	<b>160</b>	<b>160</b>	<b>152</b>	<b>101</b>	<b>42,765</b>	<b>77,856</b>	<b>25.1%</b>	<b>7.5%</b>	<b>57.9%</b>	<b>9.6%</b>	<b>0.0%</b>
<b>Open space / recreational assets</b>												
	Open spaces/Recreational Assets	80	80	4,007	3,465	39,045	49,796	69.0%	13.0%	17.0%	1.0%	0.0%
	<b>Sub-total</b>	<b>80</b>	<b>80</b>	<b>4,007</b>	<b>3,465</b>	<b>39,045</b>	<b>49,796</b>	<b>69.0%</b>	<b>13.0%</b>	<b>17.0%</b>	<b>1.0%</b>	<b>0.0%</b>
	<b>TOTAL - ALL ASSETS</b>	<b>2,000</b>	<b>2,000</b>	<b>8,628</b>	<b>6,999</b>	<b>346,452</b>	<b>464,786</b>	<b>45.4%</b>	<b>27.8%</b>	<b>24.5%</b>	<b>2.1%</b>	<b>0.2%</b>

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

### Infrastructure asset condition assessment 'key'

- 1 **Excellent/very good** No work required (normal maintenance)
- 2 **Good** Only minor maintenance work required
- 3 **Satisfactory** Maintenance work required

continued on next page ...

**Strathfield Municipal Council**  
**Report on Infrastructure Assets - Values (continued)**  
as at 30 June 2020

- 
- 4 Poor Renewal required
  - 5 Very poor Urgent renewal/upgrading required

## Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	<i>Amounts</i> 2020	<i>Indicator</i> 2020	<i>Prior periods</i>		<i>Benchmark</i>
			2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	12,253	<b>237.19%</b>	320.80%	373.08%	>=100.00%
Depreciation, amortisation and impairment	5,166				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	2,000	<b>0.58%</b>	0.25%	1.18%	<2.00%
Net carrying amount of infrastructure assets	346,452				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	6,999	<b>81.12%</b>	100.20%	102.93%	>100.00%
Required asset maintenance	8,628				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	2,000	<b>0.43%</b>	0.18%	0.78%	
Gross replacement cost	464,786				

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

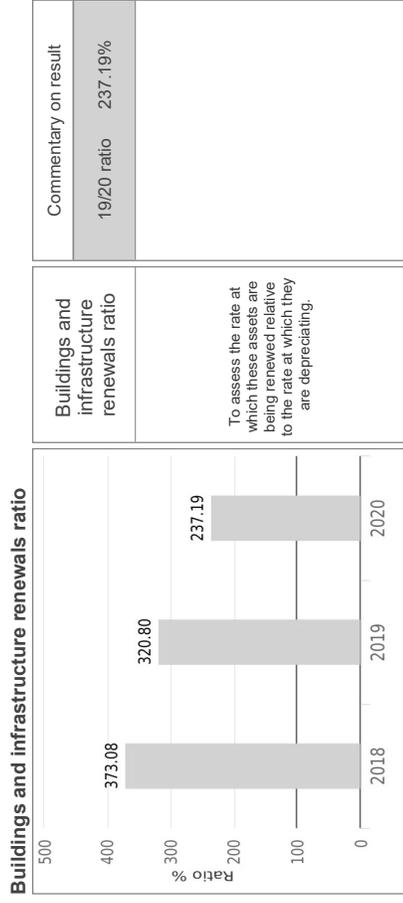
(1) Excludes Work In Progress (WIP)

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

# Strathfield Municipal Council

## Report on Infrastructure Assets (continued)

as at 30 June 2020



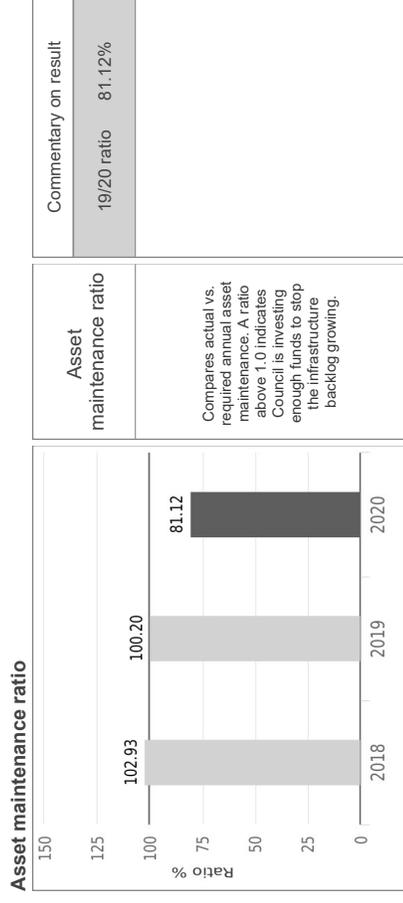
Commentary on result  
19/20 ratio 237.19%

Buildings and infrastructure renewals ratio

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

Ratio achieves benchmark

Ratio is outside benchmark



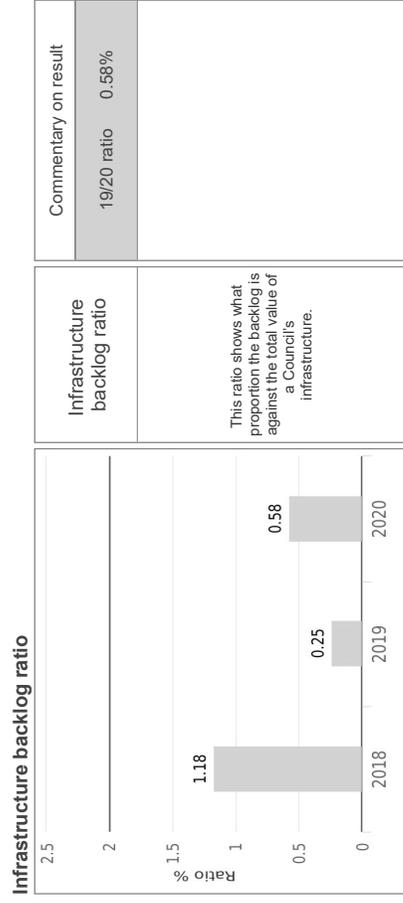
Commentary on result  
19/20 ratio 81.12%

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.

Ratio achieves benchmark

Ratio is outside benchmark



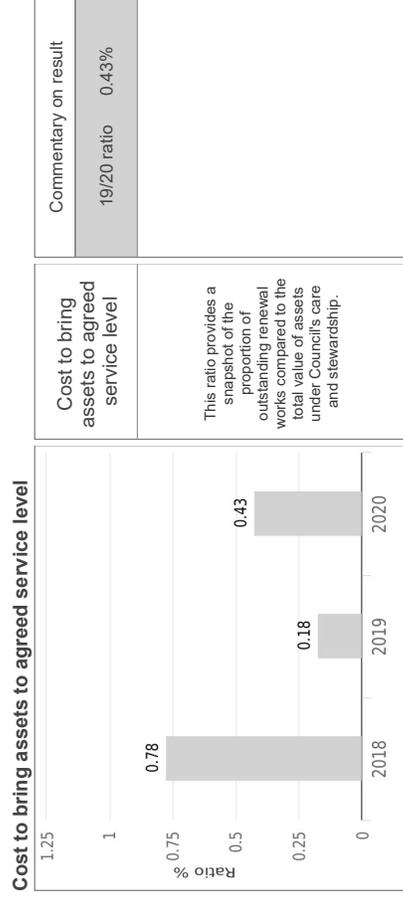
Commentary on result  
19/20 ratio 0.58%

Infrastructure backlog ratio

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

Ratio achieves benchmark

Ratio is outside benchmark



Commentary on result  
19/20 ratio 0.43%

Cost to bring assets to agreed service level

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule - Permissible income for general rates**

#### **Strathfield Municipal Council**

To the Councillors of the Strathfield Municipal Council

### **Opinion**

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

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

## **Other Information**

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2020.

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

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

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

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

19 November 2020  
SYDNEY