Fairfield City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"…a thriving, safe and friendly place with people who support and respect each other. A community where people can be proud to live, invest and prosper."

FairfieldCity
Celebrating diversity

Fairfield City Council

General Purpose Financial Statements
for the year ended 30 June 2017

Contents

	Page
1. Statement by Councillors and Management	2
2. Primary Financial Statements:	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	81
– On the Conduct of the Audit (Sect 417 [3])	84

Overview

(i) These financial statements are General Purpose Financial Statements and cover the operations for Fairfield City Council.

(ii) Fairfield City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 24 October 2017. Council has the power to amend and reissue these financial statements.

Fairfield City Council

General Purpose Financial Statements
for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2017.

Frank Carbone
Mayor

Adrian Wong
Councillor

Alan Young
General manager

Bradley Cutts
Responsible accounting officer

Fairfield City Council

Income Statement
for the year ended 30 June 2017

Unaudited Budget 2017[1]	$ '000	Notes	Actual 2017	Actual 2016
	Income from continuing operations			
	Revenue:			
106,439	Rates and annual charges	3a	106,537	103,729
18,378	User charges and fees	3b	18,655	17,586
2,867	Interest and investment revenue	3c	3,308	3,210
18,542	Other revenues	3d	20,498	19,519
20,456	Grants and contributions provided for operating purposes	3e,f	25,836	20,275
12,136	Grants and contributions provided for capital purposes	3e,f	18,054	24,787
	Other income:			
–	Net gains from the disposal of assets	5	1,256	6,240
–	Net share of interests in joint ventures and associates using the equity method	19	743	641
178,818	Total income from continuing operations		194,887	195,987
	Expenses from continuing operations			
72,059	Employee benefits and on-costs	4a	67,370	67,163
30	Borrowing costs	4b	30	49
26,067	Materials and contracts	4c	24,183	23,607
32,202	Depreciation and amortisation	4d	30,679	28,544
–	Impairment	4d	1,100	–
33,107	Other expenses	4e	29,974	31,569
163,465	Total expenses from continuing operations		153,336	150,932
15,353	Operating result from continuing operations		**41,551**	**45,055**
	Discontinued operations			
–	Net profit/(loss) from discontinued operations	24	–	–
15,353	Net operating result for the year		41,551	45,055
15,353	**Net operating result attributable to Council**		41,551	45,055
–	**Net operating result attributable to non-controlling interests**		–	–
3,217	**Net operating result for the year before grants and contributions provided for capital purposes**		23,497	20,268

[1] Original budget as approved by Council – refer Note 16

Fairfield City Council

Statement of Comprehensive Income
for the year ended 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		**41,551**	**45,055**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(7,697)	99,944
Adjustment to correct prior period errors		–	3,334
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(1,480)	–
Asset recognition	20b (ii)	–	4,832
Total items which will not be reclassified subsequently to the operating result		**(9,177)**	**108,110**
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		**(9,177)**	**108,110**
Total comprehensive income for the year		32,374	153,165
Total comprehensive income attributable to Council		32,374	153,165
Total comprehensive income attributable to non-controlling interests		–	–

Fairfield City Council

Statement of Financial Position
as at 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	54,909	35,619
Investments	6b	30,174	32,077
Receivables	7	10,364	7,671
Inventories	8	592	538
Other	8	1,616	1,210
Non-current assets classified as 'held for sale'	22	220	933
Total current assets		**97,875**	**78,048**
Non-current assets			
Investments	6b	38,800	32,800
Receivables	7	–	1,054
Infrastructure, property, plant and equipment	9	1,760,684	1,756,876
Investments accounted for using the equity method	19	6,399	5,656
Investment property	14	13,835	12,109
Intangible assets	25	170	–
Total non-current assets		**1,819,888**	**1,808,495**
TOTAL ASSETS		1,917,763	1,886,543
LIABILITIES			
Current liabilities			
Payables	10	18,948	18,031
Borrowings	10	332	322
Provisions	10	20,176	21,593
Total current liabilities		**39,456**	**39,946**
Non-current liabilities			
Borrowings	10	424	756
Provisions	10	3,017	3,349
Total non-current liabilities		**3,441**	**4,105**
TOTAL LIABILITIES		42,897	44,051
Net assets		1,874,866	1,842,492
EQUITY			
Retained earnings	20	791,719	750,640
Revaluation reserves	20	1,083,147	1,091,852
Other reserves	20	–	–
Council equity interest		1,874,866	1,842,492
Non-controlling equity interests		–	–
Total equity		1,874,866	1,842,492

This statement should be read in conjunction with the accompanying notes.

Fairfield City Council

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

$ '000	Notes	2017 Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	2016 Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		750,640	1,091,852	–	**1,842,492**	–	**1,842,492**	687,601	1,001,726	–	**1,689,327**	–	**1,689,327**
a. Correction of prior period errors	20 (c)	–	–	–	**–**	–	**–**	3,334	–	–	**3,334**	–	**3,334**
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
Revised opening balance		**750,640**	**1,091,852**	**–**	**1,842,492**	**–**	**1,842,492**	**690,935**	**1,001,726**	**–**	**1,692,661**	**–**	**1,692,661**
c. Net operating result for the year		**41,551**	**–**	**–**	**41,551**	**–**	**41,551**	45,055	–	–	**45,055**	–	**45,055**
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(7,697)	–	**(7,697)**	–	**(7,697)**	–	99,944	–	**99,944**	–	**99,944**
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	(1,480)	–	**(1,480)**	–	**(1,480)**	–	–	–	**–**	–	**–**
– Asset recognition	20b (ii)	–	–	–	**–**	–	**–**	4,731	101	–	**4,832**	–	**4,832**
Other comprehensive income		**–**	**(9,177)**	**–**	**(9,177)**	**–**	**(9,177)**	**4,731**	**100,045**	**–**	**104,776**	**–**	**104,776**
Total comprehensive income (c&d)		**41,551**	**(9,177)**	**–**	**32,374**	**–**	**32,374**	**49,786**	**100,045**	**–**	**149,831**	**–**	**149,831**
e. Distributions to/(contributions from) non-controlling interests		–	–	–	**–**	–	**–**	–	–	–	**–**	–	**–**
f. Transfers between equity		(472)	472	–	**–**	–	**–**	9,919	(9,919)	–	**–**	–	**–**
Equity – balance at end of the reporting period		**791,719**	**1,083,147**	**–**	**1,874,866**	**–**	**1,874,866**	**750,640**	**1,091,852**	**–**	**1,842,492**	**–**	**1,842,492**

This statement should be read in conjunction with the accompanying notes.

Fairfield City Council

Statement of Cash Flows
for the year ended 30 June 2017

Unaudited Budget 2017	$ '000	Notes	Actual 2017	Actual 2016
	Cash flows from operating activities			
	Receipts:			
106,134	Rates and annual charges		106,358	103,480
18,378	User charges and fees		18,655	19,072
2,793	Investment and interest revenue received		3,117	2,742
32,592	Grants and contributions		43,890	46,784
–	Bonds, deposits and retention amounts received		101	800
15,409	Other		27,829	31,105
	Payments:			
(69,766)	Employee benefits and on-costs		(68,810)	(69,038)
(26,082)	Materials and contracts		(23,713)	(22,492)
(32)	Borrowing costs		(31)	(49)
(33,107)	Other		(40,819)	(39,806)
46,319	**Net cash provided (or used in) operating activities**	11b	66,577	72,598
	Cash flows from investing activities			
	Receipts:			
–	Sale of investment securities		–	92,290
–	Sale of real estate assets		1,040	18,041
1,850	Sale of infrastructure, property, plant and equipment		1,913	1,611
	Payments:			
–	Purchase of investment securities		(4,000)	(100,800)
(43,149)	Purchase of infrastructure, property, plant and equipment		(45,235)	(68,330)
–	Purchase of real estate assets		(683)	–
(41,299)	**Net cash provided (or used in) investing activities**		(46,965)	(57,188)
	Cash flows from financing activities			
	Receipts:			
	Nil			
	Payments:			
(368)	Repayment of borrowings and advances		(322)	(313)
(368)	**Net cash flow provided (used in) financing activities**		(322)	(313)
4,652	**Net increase/(decrease) in cash and cash equivalents**		19,290	15,097
35,619	Plus: **cash and cash equivalents – beginning of year**	11a	35,619	20,522
40,271	**Cash and cash equivalents – end of the year**	11a	54,909	35,619
	Additional Information:			
	plus: **Investments on hand – end of year**	6b	68,974	64,877
	Total cash, cash equivalents and investments		123,883	100,496

Please refer to Note 11 for additional non-cash financing and investing information

Fairfield City Council

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

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	21
2(b)	Council functions/activities – component descriptions	22
3	Income from continuing operations	23
4	Expenses from continuing operations	28
5	Gains or losses from the disposal of assets	32
6(a)	Cash and cash equivalent assets	33
6(b)	Investments	33
6(c)	Restricted cash, cash equivalents and investments – details	34
7	Receivables	35
8	Inventories and other assets	36
9(a)	Infrastructure, property, plant and equipment	37
9(b)	Externally restricted infrastructure, property, plant and equipment	38
9(c)	Infrastructure, property, plant and equipment – current year impairments	38
10(a)	Payables, borrowings and provisions	39
10(b)	Description of (and movements in) provisions	40
11	Statement of cash flows – additional information	41
12	Commitments for expenditure	43
13	Statement of performance measures:	
	13a (i) Local government industry indicators	44
	13a (ii) Local government industry graphs	45
14	Investment properties	47
15	Financial risk management	48
16	Material budget variations	52
17	Statement of developer contributions	54
18	Contingencies and other liabilities/assets not recognised	63
19	Interests in other entities	66
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	69
21	Financial result and financial position by fund	70
22	‘Held for sale’ non-current assets and disposal groups	70
23	Events occurring after the reporting date	71
24	Discontinued operations	71
25	Intangible assets	71
26	Reinstatement, rehabilitation and restoration liabilities	71
27	Fair value measurement	72
28	Related party disclosures	79
	Additional council disclosures	
29	Council information and contact details	80

Fairfield City Council

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on Income Statement and the Balance sheet.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] – the adoption of this standard has not had any impact for the Council.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

(i) Estimated fair values of investment properties

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

(iii) Estimated tip remediation provisions.

(IV) Estimated Employee Entitlements.

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

(i) Rates, annual charges, grants and contributions

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

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

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

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

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

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

(ii) The Trust Fund

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

held in the Trust Fund is available for inspection at the Council office by any person free of charge.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries
Council has no interest in any subsidiaries.

Joint arrangements
The Council has determined that it has only joint ventures.

Joint ventures/associates
Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

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

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

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

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

(e) Impairment of assets

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

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

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

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

(g) Inventories

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

They are measured at the lower of their carrying amount and fair value less costs to sell, assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

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

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

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

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

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

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale assets

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

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

Recognition and de-recognition

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

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

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

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

Subsequent measurement

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

Impairment

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

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

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

(i) Assets carried at amortised cost

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

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

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

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

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

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

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

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

(j) Fair value estimation – financial instruments

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

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

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

As approximated by depreciated historical cost:

- Plant and equipment
- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

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

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

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

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

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

Depreciation

Land is not depreciated.

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

Plant and equipment	
– Office equipment	5 to 10 years
– Office furniture	10 years
– Computer equipment	3 years
– Vehicles	5 years
– Heavy plant/road making equip.	5 years
Other equipment	
– Park equipment	10 years
Buildings	
– Structure	75 to 150 years
– Roof	40 years
– Internal	25 years
– Electrical	30 years
– Fire / security	30 years
– Mechanical	60 to 75 years

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

Stormwater assets	
– Drains	25 to 150 years
Transportation assets	
– Road pavement	100 years
– Road surface	30 years
– Road furniture	20 to 30 years
– Traffic facilities	20 to 80 years
– Car park pavement	100 years
– Car park surface	30 years
– Bridge: concrete	100 years
– Kerb and gutter	80 years
– Footpaths	50 to 60 years
Other infrastructure assets	
– Park infrastructure	20 to 30 years
Other assets	
– Library books	10 to 20 years
– Other assets	10 to 75 years

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

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

(l) Investment property

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

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

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

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

asset for its intended use or sale. Other borrowing costs are expensed.

(p) Provisions

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

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

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

(q) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

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

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

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

Defined Contribution Plans

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

(r) Land under roads

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

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

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

(s) Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims, the amount of which is detailed in Note 10. Council also maintains cash and investments to meet expected future claims; these are detailed in Note 6(c).

(t) Intangible assets

IT Development and Software

Cost incurred in developing product or systems and cost incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Cost capitalised include external direct costs of materials and services, direct payroll and payroll related costs of employees time spent on the project. Amortisation is calculated on a straight line basis over periods generally 3 years.

IT development costs include only those directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(u) Crown reserves

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

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

(v) Rural fire service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings and plant.

(w) Goods and Services Tax (GST)

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

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

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

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

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

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

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

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*
- AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

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

- AASB 9 *Financial Instruments (December 2009)*
- AASB 15 *Revenue from Contracts with Customers*
- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)AASB 1057 Application of Australian Accounting Standards*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

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

- AASB 16 *Leases*
- AASB 16 *Leases (Appendix D)*
- AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Nor-for-Profit Entities*
- AASB 1058 *Income of Not-for-Profit Entities*
- AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

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

Apart from those listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

Fairfield City Council

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

Note 1. Summary of significant accounting policies (continued)

(y) Rounding of amounts

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

(z) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

(aa) Disclaimer

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

Fairfield City Council

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

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
Functions/activities	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	–	7	–	1,631	1,476	662	(1,631)	(1,469)	(662)	–	–	–	93
Administration	2,370	3,116	3,620	35,013	35,223	35,367	(32,643)	(32,107)	(31,747)	73	991	293,852	270,605
Public order and safety	6,432	5,740	8,450	6,605	6,485	7,377	(173)	(745)	1,073	79	101	2,984	2,589
Health	540	518	461	824	663	701	(284)	(145)	(240)	–	–	104	113
Environment	33,414	35,323	34,117	32,723	36,557	39,515	691	(1,234)	(5,398)	979	1,508	278,996	229,620
Community services and education	10,704	10,721	9,863	13,411	13,269	12,822	(2,707)	(2,548)	(2,959)	3,893	3,234	17,941	18,197
Housing and community amenities	2,080	2,106	2,200	7,467	5,643	6,016	(5,387)	(3,537)	(3,816)	861	845	405	405
Recreation and culture	12,985	17,152	13,404	32,921	23,717	23,168	(19,936)	(6,565)	(9,764)	953	949	520,284	515,100
Mining, manufacturing and construction	678	636	659	1,243	923	823	(565)	(287)	(164)	–	–	10	–
Transport and communication	13,433	11,546	19,118	18,622	21,429	20,164	(5,189)	(9,883)	(1,046)	8,039	16,253	752,914	794,766
Economic affairs	9,096	12,441	15,000	10,912	7,951	4,317	(1,816)	4,490	10,683	14	117	43,874	49,399
Total functions and activities	**91,732**	**99,306**	**106,892**	**161,372**	**153,336**	**150,932**	**(69,640)**	**(54,030)**	**(44,040)**	**14,891**	**23,998**	**1,911,364**	**1,880,887**
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	743	641	–	–	–	–	743	641	–	–	6,399	5,656
General purpose income [1]	87,086	94,838	88,454	2,093	–	–	84,993	94,838	88,454	16,158	11,683	–	–
Operating result from continuing operations	**178,818**	**194,887**	**195,987**	**163,465**	**153,336**	**150,932**	**15,353**	**41,551**	**45,055**	**31,049**	**35,681**	**1,917,763**	**1,886,543**

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

Fairfield City Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

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.

Fairfield City Council

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

Note 3. Income from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		44,527	43,505
Farmland		230	231
Business		31,530	30,924
Total ordinary rates		**76,287**	**74,660**
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		28,639	27,457
Drainage		1,508	1,511
Section 611 charges		103	101
Total annual charges		**30,250**	**29,069**
TOTAL RATES AND ANNUAL CHARGES		106,537	103,729

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

Fairfield City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		98	111
Waste management services (non-domestic)		579	574
Total user charges		**677**	**685**
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		212	274
Planning and building regulation		741	741
Regulatory fees		1,604	1,872
Section 149 certificates (EPA Act)		414	447
Total fees and charges – statutory/regulatory		**2,971**	**3,334**
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Child care		3,773	4,101
Entry fees		3,620	2,994
Fairfield showground		1,384	1,397
Golf course		121	118
Library		118	111
Park rents		289	168
Photocopying machine charges		2	5
Recreation facilities		5,700	4,673
Total fees and charges – other		**15,007**	**13,567**
TOTAL USER CHARGES AND FEES		18,655	17,586

Fairfield City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		270	261
– Interest earned on investments (interest and coupon payment income)		2,941	2,763
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		97	186
TOTAL INTEREST AND INVESTMENT REVENUE		3,308	3,210
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		270	261
General Council cash and investments		2,123	1,850
Restricted investments/funds – external:			
Development contributions			
– Section 94		897	1,079
– Section 64		18	20
Total interest and investment revenue recognised		**3,308**	**3,210**
(d) Other revenues			
Fair value increments – investment properties	14	1,726	156
Rental income – investment properties	14	1,041	783
Rental income – other council properties		3,851	2,393
Fines		5,686	8,182
Legal fees recovery – rates and charges (extra charges)		343	302
Car park operations		2,560	1,879
Commissions and agency fees		123	185
Insurance claim recoveries		21	239
Recycling income (non-domestic)		5,053	5,288
Other		94	112
TOTAL OTHER REVENUE		20,498	19,519

Fairfield City Council

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

Note 3. Income from continuing operations (continued)

$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	14,399	9,934	–	–
Pensioners' rates subsidies – general component	1,759	1,749	–	–
Total general purpose	**16,158**	**11,683**	**–**	**–**
Specific purpose				
Bushfire and emergency services	79	96	–	–
Community care	1,329	2,269	–	–
Environmental protection	–	510	–	–
Heritage and cultural	–	13	–	–
Library	3,044	1,460	–	–
Recreation and culture	80	80	72	3,257
Street lighting	861	912	–	–
Transport (other roads and bridges funding)	–	350	4,372	14,355
Other	1,172	107	3,882	589
Total specific purpose	**6,565**	**5,797**	**8,326**	**18,201**
Total grants	**22,723**	**17,480**	**8,326**	**18,201**
Grant revenue is attributable to:				
– Commonwealth funding	16,159	9,934	2,607	5,471
– State funding	6,564	7,546	5,719	12,601
– Other funding	–	–	–	129
	22,723	**17,480**	**8,326**	**18,201**
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	9,728	6,586
Total developer contributions 17	**–**	**–**	**9,728**	**6,586**
Other contributions:				
Child care	2,772	2,665	–	–
RMS contributions (regional roads, block grant)	302	93	–	–
Other	39	37	–	–
Total other contributions	**3,113**	**2,795**	**–**	**–**
Total contributions	3,113	2,795	9,728	6,586
TOTAL GRANTS AND CONTRIBUTIONS	25,836	20,275	18,054	24,787

Fairfield City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Actual 2017	Actual 2016

(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	36,899	32,812
Add: grants and contributions recognised in the current period but not yet spent:	10,569	14,443
Less: grants and contributions recognised in a previous reporting period now spent:	(1,416)	(10,356)
Net increase (decrease) in restricted assets during the period	**9,153**	**4,087**
Unexpended and held as restricted assets	46,052	36,899
Comprising:		
– Specific purpose unexpended grants	8,243	6,903
– Developer contributions	37,809	29,996
	46,052	**36,899**

Fairfield City Council

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

Note 4. Expenses from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		50,541	50,952
Travel expenses		37	369
Employee leave entitlements (ELE)		8,487	8,502
Superannuation		6,021	6,322
Workers' compensation insurance		604	1,361
Fringe benefit tax (FBT)		126	158
Training costs (other than salaries and wages)		317	406
Protective clothing		345	379
Temporary contract labour		3,677	3,053
Other		97	92
Total employee costs		**70,252**	**71,594**
Less: capitalised costs		(2,882)	(4,431)
TOTAL EMPLOYEE COSTS EXPENSED		67,370	67,163
Number of 'full-time equivalent' employees (FTE) at year end		**735**	**739**
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		30	49
Total interest bearing liability costs expensed		**30**	**49**
(ii) Other borrowing costs			
Nil			
TOTAL BORROWING COSTS EXPENSED		30	49

Fairfield City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		11,926	12,117
Contractor and consultancy costs		1,277	1,038
Auditors remuneration [1]		176	141
Legal expenses:			
– Legal expenses: other		815	1,004
Operating leases:			
– Operating lease rentals: minimum lease payments [2]		1,292	1,022
Fuels		1,261	1,277
Increase/decrease stock valuation		(46)	(87)
Information technology		1,726	2,422
Maintenance and repairs (various)		–	2
Materials fleet running expenses		6,401	5,642
Stock write off		(15)	19
Trading requirement stock		196	142
Tyres		–	1
Total materials and contracts		**25,009**	**24,740**
Less: capitalised costs		(826)	(1,133)
TOTAL MATERIALS AND CONTRACTS		24,183	23,607

1. Auditor remuneration

a. The following fees were incurred for services provided by the Auditor-General:

(i) Audit and other assurance services		
Audit and review of financial statements: Auditor-General	136	–
Remuneration for audit and other assurance services	**136**	**–**
Total Auditor-General remuneration	**136**	**–**

b. The following fees were incurred for services provided by other Council Auditors:

(i) Audit and other assurance services		
Audit and review of financial statements: Council's Auditor	40	92
Remuneration for audit and other assurance services	**40**	**92**
(ii) Other non-assurance services		
Other services Occu health and safety audit	–	49
Remuneration for other services	**–**	**49**
Total remuneration of other Council's Auditors	**40**	**141**
Total Auditor remuneration	**176**	**141**

2. Operating lease payments are attributable to:

Computers	932	591
Other	360	431
	1,292	**1,022**

Fairfield City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		3,325	3,465
Office equipment		699	892
Furniture and fittings		33	39
Infrastructure:			
– Buildings – non-specialised		8,542	6,357
– Roads		9,544	8,693
– Bridges		562	537
– Footpaths		1,976	1,844
– Stormwater drainage		1,892	1,688
– Kerb and gutter		2,036	2,236
– Park infrastructure		1,205	1,384
Other assets			
– Library books		288	874
– Other		577	535
Total gross depreciation and amortisation costs		**30,679**	**28,544**
Less: capitalised costs		–	–
Total depreciation and amortisation costs		30,679	28,544
Impairment			
Infrastructure:			
Buildings – non-specialised		1,100	–
Total gross impairment costs		**1,100**	**–**
Total impairment costs		1,100	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		31,779	28,544

Fairfield City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising (general)		583	465
Advertising (positions vacant)		93	11
Bad and doubtful debts		(458)	304
Children services		162	122
Commission / rebate		513	804
Conferences		241	177
Consumables		106	147
Contributions/levies to other levels of government			
– Board of fire commission		1,862	1,821
– Corporation sole EPA act		598	640
– NSW waste and recycling services		14,940	15,135
Councillor expenses – mayoral fee		64	62
Councillor expenses – councillors' fees		295	282
Councillors' expenses (incl. mayor) – other (excluding fees above)		71	58
Donations, contributions and assistance to other organisations (Section 356)		76	72
Election expenses		710	–
Electricity and heating		1,678	1,493
Equipment less than $1,000		509	536
Financial charges		197	324
Insurance		375	1,811
Publicity and promotion		586	717
Photocopier operating costs		99	74
Postage		779	580
Printing and stationery		417	378
Rates collection		8	10
Street lighting		2,810	2,695
Subscriptions and publications		551	626
Telephone and communications		596	614
Valuation fees		338	327
Water rates		712	789
Other		463	495
TOTAL OTHER EXPENSES		29,974	31,569

Fairfield City Council

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

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		230	302
Less: carrying amount of property assets sold/written off		(4)	(622)
Net gain/(loss) on disposal		**226**	**(320)**
Plant and equipment			
Proceeds from disposal – plant and equipment		1,683	1,309
Less: carrying amount of plant and equipment assets sold/written off		(1,010)	(1,048)
Net gain/(loss) on disposal		**673**	**261**
Real estate assets held for sale			
Proceeds from disposal – real estate assets		1,040	18,041
Less: carrying amount of real estate assets sold/written off		(683)	(11,742)
Net gain/(loss) on disposal		**357**	**6,299**
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		–	92,290
Less: carrying amount of financial assets sold/redeemed/matured		–	(92,290)
Net gain/(loss) on disposal		**–**	**–**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,256	6,240

Fairfield City Council

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

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

$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		31,361	–	340	–
Cash-equivalent assets [1]					
– Deposits at call		23,548	–	16,279	–
– Short-term deposits		–	–	19,000	–
Total cash and cash equivalents		**54,909**	**–**	**35,619**	**–**
Investments (Note 6b)					
– Term deposits		26,000	–	23,000	–
– Bank Bills/Bonds		3,946	–	3,849	–
– Aust mortgaged backed securities		228	–	228	–
– FRN's Floating Rate Notes		–	38,800	5,000	32,800
Total investments		**30,174**	**38,800**	**32,077**	**32,800**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		85,083	38,800	67,696	32,800

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

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

Cash and cash equivalents				
a. 'At fair value through the profit and loss'	**54,909**	**–**	**35,619**	**–**
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	4,174	–	4,077	–
b. 'Held to maturity'	26,000	38,800	28,000	32,800
Investments	**30,174**	**38,800**	**32,077**	**32,800**

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

Fairfield City Council

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

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

$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Total cash, cash equivalents and investments	85,083	38,800	67,696	32,800
attributable to:				
External restrictions (refer below)	35,431	38,800	27,748	32,800
Internal restrictions (refer below)	21,105	–	20,899	–
Unrestricted	28,547	–	19,049	–
	85,083	**38,800**	**67,696**	**32,800**

2017 $ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions					
External restrictions – included in liabilities					
Nil					
External restrictions – other					
Developer contributions – general	(D)	29,996	11,716	(3,903)	37,809
Specific purpose unexpended grants	(F)	6,903	2,253	(913)	8,243
Domestic waste management	(G)	20,867	30,254	(26,022)	25,099
Stormwater management	(G)	2,022	1,683	(1,333)	2,372
Voluntary purchase reserve		760	32	(84)	708
External restrictions – other		60,548	45,938	(32,255)	74,231
Total external restrictions		**60,548**	**45,938**	**(32,255)**	**74,231**
Internal restrictions					
Car park assets		4,691	1,912	(986)	5,617
Future capital works		2,425	1	(1,228)	1,198
Museum reserve		18	2	–	20
Property development		3,367	1,852	(365)	4,854
Sister city committee		105	–	–	105
SRV reserve		5,849	5,497	(5,651)	5,695
Sustainable resource centre plant reserve		986	553	(200)	1,339
Sustainable resource centre site development		1,098	800	(1,832)	66
Town funds		2,360	1,765	(1,914)	2,211
Total internal restrictions		**20,899**	**12,382**	**(12,176)**	**21,105**
TOTAL RESTRICTIONS		81,447	58,320	(44,431)	95,336

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

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

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

Fairfield City Council

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

Note 7. Receivables

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Purpose					
Rates and annual charges		3,869	–	2,584	1,054
Accrued revenues					
– Interest on investments		873	–	779	–
– Other income accruals		1,332	–	475	–
Net GST receivable		1,445	–	1,721	–
Sustainable resource centre		–	–	1,654	–
Sundry		–	–	456	–
Mis Grant		–	–	354	–
Other debtors		3,526	–	716	–
Total		**11,045**	**–**	**8,739**	**1,054**
Less: provision for impairment					
Rates and annual charges		(390)	–	(338)	–
Other debtors		(291)	–	(730)	–
Total provision for impairment – receivables		**(681)**	**–**	**(1,068)**	**–**
TOTAL NET RECEIVABLES		10,364	–	7,671	1,054

There are no restrictions applicable to the above assets.

Notes on debtors above:

(i) Rates and annual charges outstanding are secured against the property.

(ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.

(iii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%). Generally all other receivables are non-interest bearing.

(iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Fairfield City Council

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

Note 8. Inventories and other assets

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		512	–	491	–
Trading stock		80	–	47	–
Total inventories at cost		**592**	**–**	**538**	**–**
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		592	–	538	–
(b) Other assets					
Prepayments		1,616	–	1,210	–
TOTAL OTHER ASSETS		1,616	–	1,210	–

There are no restrictions applicable to the above assets.

Inventory write downs

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

Fairfield City Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	45,874	–	45,874	40,259	1,416	–	–	–	–	(50,857)	–	–	36,692	–	36,692
Plant and equipment (MV,HV and MP)	31,659	16,001	15,658	–	3,868	(1,010)	(3,325)	–	–	–	–	–	31,757	16,566	15,191
Office equipment (OE, computer and others)	8,346	6,884	1,462	–	38	–	(699)	–	–	–	(169)	–	6,562	5,930	632
Furniture and fittings	362	287	75	–	–	–	(33)	–	–	–	–	–	362	320	42
Land:															
– Operational land	182,932	–	182,932	–	–	–	–	–	–	–	4,200	–	187,132	–	187,132
– Community land	433,973	–	433,973	–	–	–	–	–	(1,480)	341	(4,200)	–	428,634	–	428,634
– Land under roads (post 30/6/2008)	17,338	–	17,338	–	–	–	–	–	–	–	–	(8,877)	8,461	–	8,461
Infrastructure:															
– Buildings – non-specialised	181,409	28,070	153,339	–	–	–	(8,542)	(1,100)	–	25,785	163	1,180	306,572	135,747	170,825
– Park infrastructure (open space)	25,198	10,524	14,674	–	–	–	(1,205)	–	–	–	178		25,198	11,551	13,647
– Roads	459,536	83,592	375,944	–	–	–	(9,544)	–	–	12,900	(2,000)	–	472,877	95,577	377,300
– Bridges	47,093	6,713	40,380	–	–	–	(562)	–	–	–	2	–	47,093	7,273	39,820
– Footpaths	111,858	16,527	95,331	–	–	–	(1,976)	–	–	1,230	(105)	–	113,088	18,608	94,480
– Bulk earthworks (non-depreciable)	23,814	–	23,814	–	–	–	–	–	–	–	–	–	23,814	–	23,814
– Stormwater drainage	250,600	45,279	205,321	–	–	–	(1,892)	–	–	592	2,082	–	251,340	45,237	206,103
– Kerb and gutter	180,309	34,050	146,259	–	–	–	(2,036)	–	–	2,385	114	–	182,694	35,972	146,722
Other assets:															
– Library books	13,105	12,031	1,074	–	363	–	(288)	–	–	–	–	–	13,469	12,319	1,150
– Other	8,074	4,646	3,428	–	–	–	(577)	–	–	7,624	(434)	–	15,256	5,217	10,039
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**2,021,480**	**264,604**	**1,756,876**	**40,259**	**5,685**	**(1,010)**	**(30,679)**	**(1,100)**	**(1,480)**	**–**	**(169)**	**(7,697)**	**2,151,001**	**390,317**	**1,760,684**

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

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

Fairfield City Council

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

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

$ '000	Actual 2017			Actual 2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	9,011	3,924	**5,087**	8,232	–	**8,232**
Office equipment	17	8	**9**	–	–	**–**
Land						
– Community land	3,950	–	**3,950**	3,950	–	**3,950**
Other assets	262	260	**2**	–	–	**–**
Total DWM	**13,240**	**4,192**	**9,048**	**12,182**	**–**	**12,182**
TOTAL RESTRICTED I,PP&E	**13,240**	**4,192**	**9,048**	**12,182**	**–**	**12,182**

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

$ '000	Notes	Actual 2017	Actual 2016
Impairment losses recognised in the Income Statement:			
– Buildings Non Specialised		(1,100)	–
Total impairment losses		**(1,100)**	**–**
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(1,100)	–

Fairfield City Council

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

Note 10a. Payables, borrowings and provisions

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Payables					
Goods and services – operating expenditure		9,063	–	8,539	–
Accrued expenses:					
– Borrowings		1	–	2	–
– Salaries and wages		211	–	831	–
– Other expenditure accruals		1,621	–	319	–
Security bonds, deposits and retentions		7,310	–	7,209	–
Other		742	–	1,131	–
Total payables		**18,948**	**–**	**18,031**	**–**
Income received in advance					
Nil					
Borrowings					
Loans – secured [1]		332	424	322	756
Total borrowings		**332**	**424**	**322**	**756**
Provisions					
Employee benefits:					
Annual leave		5,874	–	5,777 –	-
Sick leave		948	–	1,052	-
Long service leave		11,936	879	12,899	729
Sub-total – aggregate employee benefits		**18,758**	**879**	**19,728**	**729**
Self insurance – workers compensation		1,069	1,877	1,531	1,316
Self insurance – public liability		349	261	334	1,304
Total provisions		**20,176**	**3,017**	**21,593**	**3,349**
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		39,456	3,441	39,946	4,105

(i) Liabilities relating to restricted assets	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Externally restricted assets				
Domestic waste management	1,397	–	1,547	–
Liabilities relating to externally restricted assets	1,397	–	1,547	–
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	1,397	–	1,547	–
Total liabilities relating to unrestricted assets	38,263	3,237	38,399	4,105
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	39,660	3,237	39,946	4,105

[1.] Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Fairfield City Council

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

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

$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,734	13,109
Payables – security bonds, deposits and retentions	6,140	6,056
	17,874	**19,165**

Note 10b. Description of and movements in provisions

	2016	2017				
Class of provision	**Opening balance as at 1/7/16**	**Additional provisions**	**Decrease due to payments**	**Remeasurement effects due to discounting**	**Unused amounts reversed**	**Closing balance as at 30/6/17**
Annual leave	5,777	4,349	(4,156)	(96)	–	**5,874**
Sick leave	1,052	48	(133)	(19)	–	**948**
Long service leave	13,628	2,257	(2,824)	(246)	–	**12,815**
Self insurance	4,485	–	(929)	–	–	**3,556**
TOTAL	**24,942**	**6,654**	**(8,042)**	**(361)**	**–**	**23,193**

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

b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.

Fairfield City Council

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

Note 11. Statement of cash flows – additional information

$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	54,909	35,619
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		**54,909**	**35,619**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**41,551**	**45,055**
Adjust for non-cash items:			
Depreciation and amortisation		30,679	28,544
Net losses/(gains) on disposal of assets		(1,256)	(6,240)
Impairment losses recognition – I,PP&E		1,100	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(97)	(186)
– Investment properties		(1,726)	(156)
Share of net (profits) or losses of associates/joint ventures		(743)	(641)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,252)	2,516
Increase/(decrease) in provision for doubtful debts		(387)	(217)
Decrease/(increase) in inventories		(54)	(57)
Decrease/(increase) in other assets		(406)	(200)
Increase/(decrease) in payables		524	3,646
Increase/(decrease) in accrued interest payable		(1)	–
Increase/(decrease) in other accrued expenses payable		682	(2,044)
Increase/(decrease) in other liabilities		(288)	920
Increase/(decrease) in employee leave entitlements		(820)	379
Increase/(decrease) in other provisions		(929)	1,279
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**66,577**	**72,598**

Fairfield City Council

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

Note 11. Statement of cash flows – additional information (continued)

$ '000	Notes	Actual 2017	Actual 2016

(c) Non-cash investing and financing activities

Nil

(d) Financing arrangements

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

Bank overdraft facilities [1]	1,500	1,500
Credit cards/purchase cards	500	236
Total financing arrangements	**2,000**	**1,736**

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

(ii) Secured loan liabilities

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

(e) Bank guarantees

State Insurance Regulatory Authority - Workers Compensation $2,839,000.00
Sydney Water Corporation Relocation of Sydney Water mains Polding St & Smithfield Rd $100,000.00
Sydney Water Corporation main adjustment Hamilton Rd Fairfield West $127,050.00
Sydney Water Corporation $20,000.00
Sydney Water Corporation main adjusment at Wetherill Park Street $250,000

Fairfield City Council

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

Note 12. Commitments for expenditure

$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,562	3,176
Plant and equipment		864	203
Land		1,872	1,289
Other		11,160	14,182
Total commitments		**15,458**	**18,850**
These expenditures are payable as follows:			
Within the next year		15,458	18,850
Total payable		**15,458**	**18,850**
Sources for funding of capital commitments:			
Unrestricted general funds		5,675	2,218
Sect 94 A		362	401
Sect 94 funds/reserves		33	716
Grants		4,537	4,645
Internally restricted reserves		4,851	10,870
Total sources of funding		**15,458**	**18,850**

(b) Finance lease commitments
Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year		816	791
Later than one year and not later than 5 years		862	617
Total non-cancellable operating lease commitments		**1,678**	**1,408**

Conditions relating to operating leases:
– All operating lease agreements are secured only against the leased asset.
– No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments
Nil

(e) Investment in joint operations – commitments
For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Fairfield City Council

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

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

$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	Prior periods 2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses / Total continuing operating revenue [1] excluding capital grants and contributions	19,675 / 173,011	**11.37%**	7.96%	2.75%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions / Total continuing operating revenue [1]	147,175 / 191,065	**77.03%**	76.13%	78.77%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions [2] / Current liabilities less specific purpose liabilities [3, 4]	62,444 / 20,185	**3.09x**	2.62x	2.57x	>1.5x
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	51,484 / 352	**146.26x**	115.02x	93.82x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	3,479 / 110,450	**3.15%**	3.07%	2.95%	< 5% Metro
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits x12 / Payments from cash flow of operating and financing activities	54,909 / 11,141	**4.93 mths**	3.2 mths	1.8 mths	> 3 mths

Notes

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

[2] Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

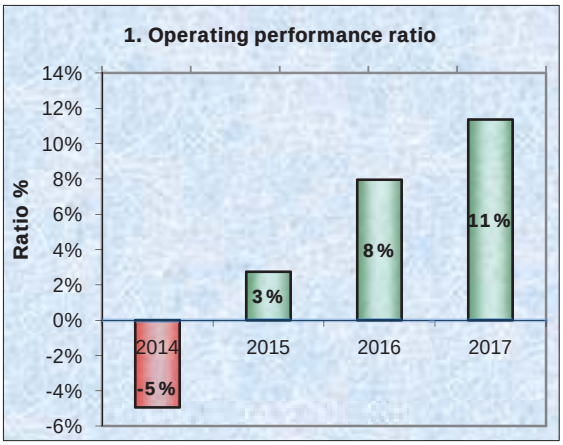
[3] Refer to Note 10(a).

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

Fairfield City Council

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

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

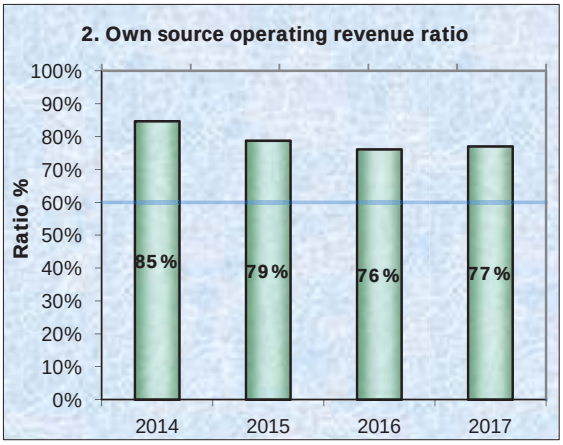


Purpose of operating performance ratio	Commentary on 2016/17 result
	2016/17 ratio 11.37%
This ratio measures Council's achievement of containing operating expenditure within operating revenue.	Advance receipt of 2017/18 Financial Assistance Grant contributed to increased income. Also reduction in depreciation and other expenses gave a favourable operating performance ratio.

Benchmark: ——— Minimum >=0.00%

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

Ratio achieves benchmark
Ratio is outside benchmark

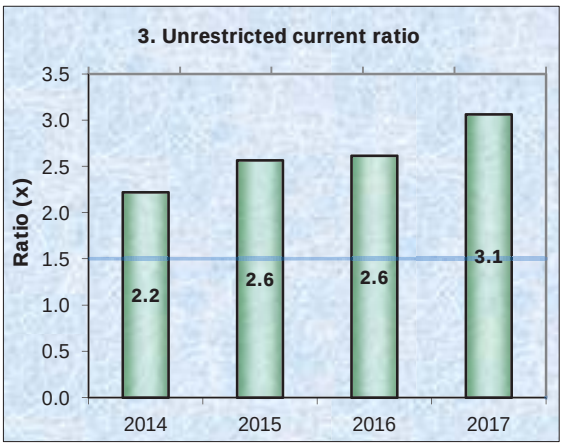


Purpose of own source operating revenue ratio	Commentary on 2016/17 result
	2016/17 ratio 77.03%
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Council consistently maintains this ratio well above the Tcorp benchmark of 60%. It proves that the council has more relied on own source of funding for its operation. For the last four years this ratio is in the region of 80%.

Benchmark: ——— Minimum >=60.00%

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

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of unrestricted current ratio	Commentary on 2016/17 result
	2016/17 ratio 3.09x
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	Council's unrestricted current ratio is 3.09 compared to Tcorp benchmark of 1.5. Council maintains this ratio well above the benchmark and has sufficient liquid funds to meet its obligation.

Benchmark: ——— Minimum >=1.50

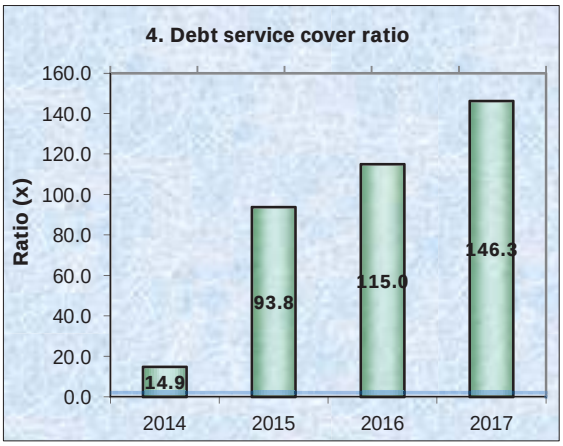
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Fairfield City Council

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

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

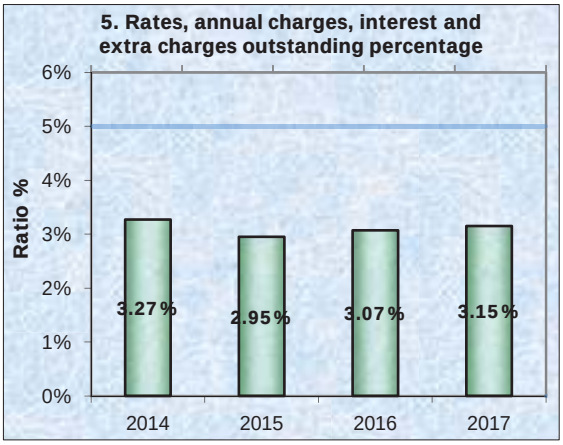


Purpose of debt service cover ratio	Commentary on 2016/17 result
	2016/17 ratio 146.26x
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments	Council's debt service ratio is in strong position. Council has sufficient fund to meet its obligation.

Benchmark: ——— Minimum >=2.00

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

Ratio achieves benchmark
Ratio is outside benchmark

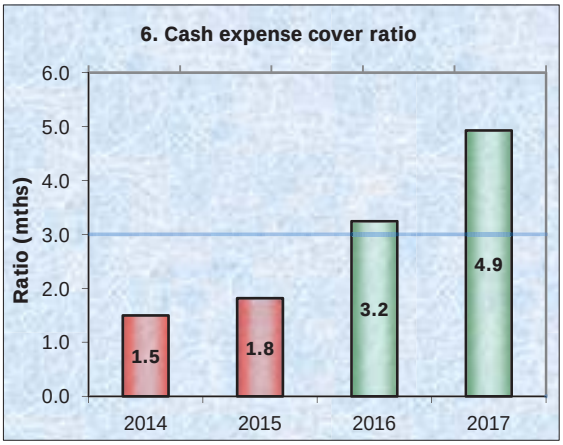


Purpose of rates and annual charges outstanding ratio	Commentary on 2016/17 result
	2016/17 ratio 3.15%
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.	Outstanding rates, charges and fees are 3% which is within industry benchmark of 5%. Council consistently maintains this ratio around 3% which shows that debt control processes are working well.

Benchmark: ——— Maximum <5.00%

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

Ratio is within Benchmark
Ratio is outside Benchmark



Purpose of cash expense cover ratio	Commentary on 2016/17 result
	2016/17 ratio 4.93 mths
This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.	Council's cash expense cover ratio is 5.3 months compared to Tcorp benchmark of 3 months. This shows that Council could meet its expense payments without additional cashflow.

Benchmark: ——— Minimum >=3.00

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

Ratio achieves benchmark
Ratio is outside benchmark

Fairfield City Council

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

Note 14. Investment properties

$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
Investment properties on hand		13,835	12,109
Reconciliation of annual movement:			
Opening balance		12,109	11,953
– Net gain/(loss) from fair value adjustments		1,726	156
CLOSING BALANCE – INVESTMENT PROPERTIES		**13,835**	**12,109**

(b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2017 revaluations were based on independent assessments made by:
Scott Fullarton Valuations Pty Ltd FAPI CPP

(c) Contractual obligations at reporting date

Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.

(d) Investment property income and expenditure – summary

Rental income from investment properties:		
– Minimum lease payments	1,041	783
Direct operating expenses on investment properties:		
– that generated rental income	(61)	(80)
Net revenue contribution from investment properties	**980**	**703**
plus:		
Fair value movement for year	1,726	156
Total income attributable to investment properties	**2,706**	**859**

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

Fairfield City Council

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

Note 15. Financial risk management

$ '000

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.

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

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

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

The risks associated with the investments held are:

– **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether their changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

– **Interest rate risk** – the risk that movements in interest rates could affect returns and income.

– **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

Fairfield City Council

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

Note 15. Financial risk management (continued)

$ '000

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

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

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

	Increase of values/rates		Decrease of values/rates	
2017	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 10% movement in market values	417	417	(417)	(417)
Possible impact of a 1% movement in interest rates	1,194	1,194	(1,194)	(1,194)
2016				
Possible impact of a 10% movement in market values	408	408	(408)	(408)
Possible impact of a 1% movement in interest rates	961	961	(961)	(961)

(b) Credit risk

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

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

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

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

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

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

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

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

Fairfield City Council

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

Note 15. Financial risk management (continued)

$ '000

(b) Credit risk (continued)

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

(i) Ageing of receivables – %	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
Current (not yet overdue)	100%	73%	71%	40%
Overdue	0%	27%	29%	60%
	100%	**100%**	**100%**	**100%**

(ii) Ageing of receivables – value					
Rates and annual charges	**Other receivables**	**Rates and annual charges**	**Other receivables**	**Rates and annual charges**	**Other receivables**
Current	Current	3,869	5,205	2,585	2,511
< 1 year overdue	0 – 30 days overdue	–	1,460	1,053	2,423
1 – 2 years overdue	31 – 60 days overdue	–	194	–	492
2 – 5 years overdue	61 – 90 days overdue	–	31	–	52
> 5 years overdue	> 91 days overdue	–	286	–	677
		3,869	**7,176**	**3,638**	**6,155**

(iii) Movement in provision for impairment of receivables	2017	2016
Balance at the beginning of the year	1,068	1,285
– previous impairment losses reversed	(387)	(217)
Balance at the end of the year	**681**	**1,068**

Fairfield City Council

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

Note 15. Financial risk management (continued)

$ '000

(c) Liquidity risk

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

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

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

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

$ '000	Subject to no maturity	payable in: ≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total cash outflows	Actual carrying values
2017									
Trade/other payables	7,310	11,638	–	–	–	–	–	18,948	**18,948**
Loans and advances	–	332	252	113	59	–	–	756	**756**
Total financial liabilities	**7,310**	**11,970**	**252**	**113**	**59**	**–**	**–**	**19,704**	**19,704**
2016									
Trade/other payables	7,209	10,822	–	–	–	–	–	18,031	**18,031**
Loans and advances	–	322	332	252	113	59	–	1,078	**1,078**
Total financial liabilities	**7,209**	**11,144**	**332**	**252**	**113**	**59**	**–**	**19,109**	**19,109**

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

The following interest rates were applicable to Council's borrowings at balance date:	2017 Carrying value	2017 Average interest rate	2016 Carrying value	2016 Average interest rate
Trade/other payables	18,948	0.00%	18,031	0.00%
Loans and advances – fixed interest rate	756	4.79%	1,078	4.79%
	19,704		19,109	

Fairfield City Council

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

Note 16. Material budget variations

$ '000

Council's original financial budget for 16/17 was adopted by the Council on 24 May 2016.

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

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

Note that for variations* of budget to actual :
Material variations represent those variances that amount to **10%** or more of the original budgeted figure.
F = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2017 Budget	2017 Actual	2017 ---------- Variance* ----------		
REVENUES					
Rates and annual charges	106,439	106,537	98	0%	F
User charges and fees	18,378	18,655	277	2%	F
Interest and investment revenue	2,867	3,308	441	15%	F
Increased investments gave favourable investment income return.					
Other revenues	18,542	20,498	1,956	11%	F
Growth in the recycling business and earning from tipping fees contributed to this favorable variance.					
Operating grants and contributions	20,456	25,836	5,380	26%	F
Receipt of advance payment of Financial Assistance Grant $4.9 million is the major factor for this favourable variance.					
Capital grants and contributions	12,136	18,054	5,918	49%	F
Favourable variance is mainly from S94 developer contributions due to increased development activities.					
Net gains from disposal of assets	–	1,256	1,256	0%	F
The budget assumes that the written down value of assets will reflect the proceeds at the time of sale. This varies subject to market conditions.					
Joint ventures and associates - net profits	–	743	743	0%	F
The Joint Ventures are for the purposes of pooled insurance which are subject to varying levels of claims, premiums and capital ratios to maintain and meet the future costs of these claims. Council is conservative and does not budget to receive profits from this area.					

Fairfield City Council

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

Note 16. Material budget variations (continued)

$ '000	2017 Budget	2017 Actual	2017 ---------- Variance* ----------		
EXPENSES					
Employee benefits and on-costs	72,059	67,370	4,689	7%	F
Borrowing costs	30	30	–	0%	F
Materials and contracts	26,067	24,183	1,884	7%	F
Depreciation and amortisation	32,202	30,679	1,523	5%	F
Depreciation savings to budget resulted from improved asset conditions and longer life span for various classes of assets.					
Impairment expenses	–	1,100	(1,100)	0%	U
The prediction of nature and extent of asset inpairment is caused for this variance.					
Other expenses	33,107	29,974	3,133	9%	F

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

Cash flows from operating activities	46,319	66,577	20,258	43.7%	F
Cash flow from operating activities was improved as a direct result of the Profit and Loss. This includes some unbudgted receipts in grant and contributions for capital ($6m) and prepaid Financial Assistance Grant ($5m). Savings across salaries & wages, materials and contracts and other expenses contributed ($9m)					
Cash flows from investing activities	(41,299)	(46,965)	(5,666)	13.7%	U
Cash flows from investing activities included some carried forward capital works and the purchase of investments securities ($4m) from the improved operating results.					
Cash flows from financing activities	(368)	(322)	46	(12.5%)	F
Cash flows from financing activities is consistent with budget.					

Fairfield City Council

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

Note 17. Statement of developer contributions

$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,188	–	–	140	(157)	–	**5,171**	–
Roads	2	–	–	–	–	–	**2**	–
Traffic facilities	231	4	–	6	–	–	**241**	–
Parking	1,529	178	–	44	(496)	–	**1,255**	–
Open space	13,986	4,884	–	429	(359)	–	**18,940**	–
Community facilities	2,573	1,243	–	80	–	–	**3,896**	–
Concrete Path Paving	87	–	–	2	–	–	**89**	–
Administration	508	168	–	16	(80)	–	**612**	–
City Wide	116	80	–	4	–	–	**200**	–
S94 contributions – under a plan	**24,220**	**6,557**	**–**	**721**	**(1,092)**	**–**	**30,406**	**–**
S94A levies – under a plan	**5,172**	**2,946**	**–**	**176**	**(1,738)**	**–**	**6,556**	**–**
Total S94 revenue under plans	**29,392**	**9,503**	**–**	**897**	**(2,830)**	**–**	**36,962**	**–**
S64 contributions	604	225	–	18	–	–	**847**	
Total contributions	**29,996**	**9,728**	**–**	**915**	**(2,830)**	**–**	**37,809**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 1999 Stormwater Drainage Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Creek	616	–	–	16	(154)	–	**478**	–
– Wetherill Park	4,572	–	–	124	(3)	–	**4,693**	–
Total	**5,188**	**–**	**–**	**140**	**(157)**	**–**	**5,171**	**–**

CONTRIBUTION PLAN - 1999 Roads adjacent to Open Space

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Bonnyrigg & Bonnyrigg	1	–	–	–	–	–	**1**	–
– Park & St John Park	1	–	–	–	–	–	**1**	–
Total	**2**	**–**	**–**	**–**	**–**	**–**	**2**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – Rural Area Upgrading & Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Traffic Facilities	231	4	–	6	–	–	**241**	–
Total	**231**	**4**	**–**	**6**	**–**	**–**	**241**	**–**

CONTRIBUTION PLAN – 1999 Car Parking & Associated Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Parking Cabramatta	19	49	–	2	–	–	**70**	–
– Parking Fairfield	1,377	–	–	37	(496)	–	**918**	–
– Parking Canley Heights	133	129	–	5	–	–	**267**	–
Total	**1,529**	**178**	**–**	**44**	**(496)**	**–**	**1,255**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 1999 Land Acquisition for Open Space & Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Land Acquisitions	6,417	121	–	180	(248)	–	**6,470**	–
Total	**6,417**	**121**	**–**	**180**	**(248)**	**–**	**6,470**	**–**

CONTRIBUTION PLAN – 1999 Recreation & Open Space Embellishment

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– City wide	5	2	–	–	–	–	**7**	–
– Bonnyrigg	5	13	–	1	–	–	**19**	–
– Cabramatta	13	–	–	–	(7)	–	**6**	–
– Fairfield	109	10	–	3	(104)	–	**18**	–
– Rural Park	15	–	–	1	–	–	**16**	–
Total	**147**	**25**	**–**	**5**	**(111)**	**–**	**66**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 1999 Community Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– City wide	69	5	–	2	–	–	**76**	–
– Bonnyrigg	1	–	–	–	–	–	**1**	–
– Cabramatta	85	–	–	2	–	–	**87**	–
– Fairfield	790	2	–	22	–	–	**814**	–
– Wetherill Park	19	–	–	–	–	–	**19**	–
Total	**964**	**7**	**–**	**26**	**–**	**–**	**997**	**–**

CONTRIBUTION PLAN – 1999 Concrete Path Paving

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Heights	87	–	–	2	–	–	**89**	–
Total	**87**	**–**	**–**	**2**	**–**	**–**	**89**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER S94A

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Administration	259	4	–	7	(80)	–	**190**	–
Total	**259**	**4**	**–**	**7**	**(80)**	**–**	**190**	**–**

CONTRIBUTION PLAN 2011 – City Wide

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– City Wide	116	80	–	4	–	–	**200**	–
Total	**116**	**80**	**–**	**4**	**–**	**–**	**200**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Community Facilities District

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Cabramatta	25	13	–	1	–	–	**39**	–
– Fairfield/Canley Heights	275	262	–	10	–	–	**547**	–
Total	**300**	**275**	**–**	**11**	**–**	**–**	**586**	**–**

CONTRIBUTION PLAN 2011 Community Facilities Local

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Fairfield	219	178	–	8	–	–	**405**	–
– Fairfield Heights	302	183	–	10	–	–	**495**	–
– Villawood	99	240	–	3	–	–	**342**	–
– Canley Heights	153	77	–	5	–	–	**235**	–
– Cabramatta	222	123	–	7	–	–	**352**	–
– Prairewood	314	160	–	10	–	–	**484**	–
Total	**1,309**	**961**	**–**	**43**	**–**	**–**	**2,313**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Land Acquisition

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
– Cabramatta	1,449	774	–	47	–	–	**2,270**	–
– Fairfield	2,091	1,352	–	73	–	–	**3,516**	–
– Western LGA	2,347	888	–	75	–	–	**3,310**	–
– Western LGA	377	980	–	12	–	–	**1,369**	–
Total	**6,264**	**3,994**	**–**	**207**	**–**	**–**	**10,465**	**–**

CONTRIBUTION PLAN 2011 Open Space Embellishment

PURPOSE	Opening balance	Contributions received during the year Cash	Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
– Cabramatta	226	119	–	7	–	–	**352**	–
– Fairfield	327	224	–	11	–	–	**562**	–
– Villawood	73	177	–	2	–	–	**252**	–
– Western LGA	532	224	–	17	–	–	**773**	–
Total	**1,158**	**744**	**–**	**37**	**–**	**–**	**1,939**	**–**

Fairfield City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Administration

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
– Administration	249	164	–	9	–	–	**422**	–
Total	**249**	**164**	**–**	**9**	**–**	**–**	**422**	**–**

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2011

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
– Section 94A Levy Contributions	5,172	2,946	–	176	(1,738)	–	**6,556**	–
Total	**5,172**	**2,946**	**–**	**176**	**(1,738)**	**–**	**6,556**	**–**

S93F planning agreements

Bonnyrigg Living Community Communities

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
– Bonnyrigg Living Community Cont	604	225	–	18	–	–	**847**	–
Total	**604**	**225**	**–**	**18**	**–**	**–**	**847**	**–**

Fairfield City Council

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

Note 18. Contingencies and other assets/liabilities not recognised

$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Fairfield City Council's share of the estimated deficit has been advised as $2.043 m as at 30 June 2017.

(ii) CivicRisk West (Westpool)

Mutual Management Services Ltd (MMS)is a company limited by guarantee and was created to provide administration services to the 3 CivicRisk self-insurance pools CivicRisk West (previously Westpool), CivicRisk Metro (previously Metro Pool) and CivicRisk Mutual (previously United Independent Pools). MMS operates as a mutual for the benefit of the members who are the 16 Councils which make up our combined CivicRisk membership being Blacktown, Blue Mountains, Burwood, Bayside, Cumberland, Camden, Hawkesbury, Fairfield, Hunters Hill, Kiama, Lane Cove, Liverpool, Penrith,Parramatta, Shellharbour and Wollongong.

The CivicRisk self-insurance pools have been operating since the late 1980's when Councils could not purchase insurance in the market and the Councils decided to work together to share the risks and self-fund their claims costs. MMS was created to move the administration staff and responsibilites from Westpool (now CivicRisk West) to a separate entity that provides the services to all 3 pools. The creation of the administration company was an internal structure change to assist with meeting commercial obligations rather than a change in the underlying operations.

Council is a member of Westpool, 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 Councils contributions to the pool and the result of insurance claims within each of the Fund Years. 2016/17 Fairfield City Council's Claims Report as at 30 June 2017 total is $610,000.

Fairfield City Council

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

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

$ '000

LIABILITIES NOT RECOGNISED (continued):

(ii) CivicRisk West (Westpool) (continued)

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.

More information can be found at Note 19.

(iii) Workers Compensation Self Insurance Bank Guarantee

Council is a Self Insurer for Workers Compensation and as a condition of its Self Insurance Licence requires either a Term Deposit or Bank Guarantee to be held based on Actuarial Assessment. In June 1997 Council decided to take out a Bank Guarantee to comply with the conditions of its Self Insurance Licence.

Council's Actuarial Assessment as at 18th January 2017 requires a Bank Guarantee of $2.839m.

(iv) Other Guarantees

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

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contribution plans. As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

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

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

Fairfield City Council

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

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

$ '000

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) Dutton Plaza Claim

FCC has lodged a claim against a contractor for design performance issues that may result in a settlement that is currently estimated by our legal representative to be between $400-$500k.

OTHER ASSETS & LIABILITIES NOT RECOGNISED:

(i) Regional Illegal Dumping Squads (RIDS)

RID Squads are regionally based teams that specialise in dealing with illegal dumping and illegal landfilling. The squads are funded by the NSW Environment Protection Authority (EPA) and the member local councils who opt to work together and contribute resources to tackle illegal dumping.

The objective of the project is to identify, investigate and prosecute illegal waste dumping offences and trial a range of enforcement strategies.

Each Council has equal interest in the operation and has an undertaking to annually contribute. ($65,000 for 2016/17).

The RIDS accounts are to be prepared by Resources NSW and were not available at the time of preparing these statements in order to determine the value of Council's interest.

Council's share of the assets, liabilities, income and expenses for this JV is not considered material.

Fairfield City Council

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

Note 19. Interests in other entities

$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries) ***Note 19(a)***
Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.
Council does not have any controlled entities in 2016/17

Joint ventures and associates ***Note 19(b)***
Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.
Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations ***Note 19(c)***
Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities ***Note 19(d)***
Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised ***Note 19(e)***

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	743	641	6,399	5,656
Total	**743**	**641**	**6,399**	**5,656**

Fairfield City Council

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

Note 19. Interests in other entities (continued)

$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	2017	2016
CivicRisk Mutual (UIP)	Joint venture	385	441
CivicRisk West (Westpool)	Joint venture	6,014	5,215
Total carrying amounts – material joint ventures and associates		**6,399**	**5,656**

(b) Details

Name of entity	Principal activity
CivicRisk Mutual (UIP)	Self insurance
CivicRisk West (Westpool)	Self insurance

(c) Relevant interests and fair values

	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
Name of entity	2017	2016	2017	2016	2017	2016	2017	2016
CivicRisk Mutual (UIP)	n/a	n/a	6%	6%	6%	6%	6%	5%
CivicRisk West (Westpool)	n/a	n/a	16%	16%	16%	16%	10%	10%

Fairfield City Council

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

Note 19. Interests in other entities (continued)

$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	CivicRisk Mutual (UIP)		CivicRisk West (Westpool)	
Statement of financial position	**2017**	**2016**	**2017**	**2016**
Current assets				
Cash and cash equivalents	506	171	2,935	2,960
Other current assets	6,239	4,177	13,732	9,749
Non-current assets	**5,889**	**8,539**	**47,434**	**47,864**
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	2,890	2,800	5,008	4,999
Other current liabilities	423	346	688	523
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	**2,830**	**2,454**	**20,429**	**22,856**
Net assets	**6,491**	**7,287**	**37,976**	**32,195**
Reconciliation of the carrying amount				
Opening net assets (1 July)	7,287	7,518	32,195	29,943
Profit/(loss) for the period	(796)	(231)	7,465	3,498
Other adjustments to equity	–	–	(1,684)	(1,246)
Closing net assets	**6,491**	**7,287**	**37,976**	**32,195**
Council's share of net assets (%)	**5.9%**	**6.1%**	**15.8%**	**16.2%**
Council's share of net assets ($)	**385**	**441**	**6,014**	**5,215**
Statement of comprehensive income				
Income	8,302	8,551	7,066	7,421
Interest income	584	423	3,757	2,438
Interest expense	–	–	(17)	(17)
Other expenses	(9,682)	(9,205)	(3,341)	(6,344)
Profit/(loss) for period	**(796)**	**(231)**	**7,465**	**3,498**
Total comprehensive income	**(796)**	**(231)**	**7,465**	**3,498**
Share of income – Council (%)	**7.1%**	**11.6%**	**15.0%**	**13.9%**
Profit/(loss) – Council ($)	**(57)**	**155**	**1,121**	**486**
Total comprehensive income – Council ($)	**(57)**	**155**	**1,121**	**486**

(c) Joint operations

Council has no interest in any joint operations.

Fairfield City Council

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

Note 19. Interests in other entities (continued)

$ '000

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

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

$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		750,640	687,601
a. Correction of prior period errors	20 (c)	–	3,334
b. Other comprehensive income (excl. direct to reserves transactions)		–	4,731
c Net operating result for the year		41,551	45,055
d. Transfers between equity		(472)	9,919
Balance at end of the reporting period		791,719	750,640
(b) Revaluation reserves			
(i) Reserves are represented by:			
Infrastructure, property, plant and equipment revaluation reserve		1,083,147	1,091,852
Total		**1,083,147**	**1,091,852**
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,091,852	1,001,726
– Revaluations for the year	9(a)	(7,697)	99,944
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(1,480)	–
– Transfer to retained earnings for asset disposals		472	(9,919)
– Asset recognition		–	101
– Balance at end of year		**1,083,147**	**1,091,852**
TOTAL VALUE OF RESERVES		**1,083,147**	**1,091,852**

(iii) Nature and purpose of reserves
The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

Fairfield City Council

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

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

$ '000

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

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

(d) Voluntary changes in accounting policies

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

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

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

$ '000	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	220	–	933	–
Total non-current assets 'held for sale'	**220**	**–**	**933**	**–**
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	220	–	933	–

$ '000	Assets 'held for sale' 2017	2016
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance	933	–
Balance still unsold after 12 months:	933	–
Sale/Balance	(713)	933
Closing balance of 'held for sale' non-current assets and operations	220	933

Fairfield City Council

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

Note 23. Events occurring after the reporting date

$ '000

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 24/10/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
IT Development and Software Cost	1,821	–
IT Development and Software Accumualted Depreciation	(1,651)	–
	170	–

Note 26. Reinstatement, rehabilitation and restoration liabilities

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

Fairfield City Council

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

Note 27. Fair value measurement

$ '000

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

– Infrastructure, property, plant and equipment
– Investment property
– Financial assets and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

– Non-current assets classified as 'held for sale'

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

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

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

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

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

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

2017	Fair value measurement hierarchy			
	Level 1	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets				
Investments				
– 'Held for trading' through profit/(loss)	4,174	–	–	4,174
– 'Held for maturity'	64,800	–	–	64,800
Total financial assets	**68,974**	**–**	**–**	**68,974**
Financial liabilities				
Loans/advances	–	756	–	756
Total financial liabilities	**–**	**756**	**–**	**756**
Investment properties				
167 Meadows Road, Mount Pritchard NSW 2170	–	3,635	–	3,635
9 Walker Place, Wetherill Park NSW 2164	–	4,200	–	4,200
396 Victoria Street, Wetherill Park, NSW 2164	–	6,000	–	6,000
Total investment properties	**–**	**13,835**	**–**	**13,835**

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

2017	Fair value measurement hierarchy Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Capital work in progress	–	–	36,692	36,692
Plant and equipment	–	–	15,191	15,191
Office equipment	–	–	632	632
Furniture and fittings	–	–	42	42
Operational land	–	187,132	–	187,132
Community land	–	–	428,634	428,634
Buildings	–	170,825	–	170,825
Park infrastructure	–	–	13,647	13,647
Roads	–	–	377,300	377,300
Bridges	–	–	39,820	39,820
Footpaths	–	–	94,480	94,480
Stormwater drainage	–	–	206,103	206,103
Kerb and gutter	–	–	146,722	146,722
Library books	–	–	1,150	1,150
Other assets	–	–	10,039	10,039
Land under Roads	–	–	8,461	8,461
Bulk Earthworks	–	–	23,814	23,814
Total infrastructure, property, plant and equipment	**–**	**357,957**	**1,402,727**	**1,760,684**
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Land for Sale	–	–	220	220
Total NCA's classified as 'held for sale'	**–**	**–**	**220**	**220**

2016	Fair value measurement hierarchy Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading' through profit/(loss)	–	4,077	–	4,077
– 'Held for maturity'	–	–	60,800	60,800
Total financial assets	**–**	**4,077**	**60,800**	**64,877**
Financial liabilities				
Loans/advances	–	1,078	–	1,078
Total financial liabilities	**–**	**1,078**	**–**	**1,078**
Investment properties				
Leased properties	–	12,109	–	12,109
Total investment properties	**–**	**12,109**	**–**	**12,109**

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

2016	Fair value measurement hierarchy Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Capital work in progress	–	–	45,874	45,874
Plant and equipment	–	–	15,658	15,658
Office equipment	–	–	1,462	1,462
Furniture and fittings	–	–	75	75
Operational land	–	182,932	–	182,932
Community land	–	–	433,973	433,973
Buildings	–	153,339	–	153,339
Park infrastructure	–	–	14,674	14,674
Roads	–	–	375,944	375,944
Bridges	–	–	40,380	40,380
Footpaths	–	–	95,331	95,331
Stormwater drainage	–	–	205,321	205,321
Kerb and gutter	–	–	146,259	146,259
Library books	–	–	1,074	1,074
Other assets	–	–	3,428	3,428
Land under Roads	–	–	17,338	17,338
Bulk Earthworks	–	–	23,814	23,814
Total infrastructure, property, plant and equipment	**–**	**336,271**	**1,420,605**	**1,756,876**
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Land for Sale	–	–	933	933
Total NCA's classified as 'held for sale'	**–**	**–**	**933**	**933**

(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.

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

(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:

Investment properties

Council engages external, independent and qualified valuers to determine the fair value of its investment properties three years. As at 30 June 2017 the valuation of the investment property portfolio was performed by Scott Fullarton FAPI CPP. On an annual basis, the fair value of the investment properties are indexed by Council internal professionals.

All investment property valuations are included in level 2 of the hierarchy. The value of investment property has determined using either using the capitalisation of rental income or with reference to value of similar properties properties within the area. The key unobservable input to the valuation is the rent or price per square metre.

Operational Land and Buildings

Council engages the external, independent and qualified valuers to determine the fair value of the Council's operational land and buildings in level 2. The last revaluation of the operational land and buildings were undertaken by Scott Fullarton FAPI CPP as at 30 June 2013.

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

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

Community Land and Land under Roads

The fair value for community land in level 3 has been determined from the Valuer General's Valuation performed for rating purposes. Land under roads has been determined using a unit rate per square metre.
Given the nature of Community land and Land under roads, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer's General's valuation is considered the most practicable approach to valuing Community Land and Land under roads.

The last revaluation of the community land based on Valuer General's valuation was performed at 30 June 2016.

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

Infrastructure Assets

Valuations for infrastructure assets in level 3 are performed internally by the Council's internal engineering team. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square metres, cubic metres or lineal metres.

The unit rate, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Non-current assets classified as 'held for sale'

Council has the non-current assets are classified as held for sale which is stated at the lower of their carrying amount and fair value less costs to sell in level 3.

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

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

	Financial Assets	IPP&E	Asset held for Sale	Total
Opening balance – 1/7/15	52,290	1,290,610	–	1,342,900
Transfers from/(to) another asset class	–	(933)	933	–
Purchases (GBV)	8,510	61,300	–	69,810
Disposals (WDV)	–	(12,790)	–	(12,790)
Depreciation and impairment	–	(22,187)	–	(22,187)
FV gains – other comprehensive income	–	104,605	–	104,605
Closing balance – 30/6/16	**60,800**	**1,420,605**	**933**	**1,482,338**
Purchases (GBV)	4,097	45,944	–	50,041
Disposals (WDV)	–	(1,693)	–	(1,693)
Depreciation and impairment	–	(33,259)	–	(33,259)
FV gains – other comprehensive income	–	113,359	–	113,359
Other movement	–	(134,162)	(713)	(134,875)
Closing balance – 30/6/17	**64,897**	**1,410,794**	**220**	**1,475,911**

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/17) $'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investment properties			
167 Meadows Road, Mount Pritchard NSW 2170	3,635	Professional Valuer	Asset condition, remaining lives, residual value
9 Walker Place, Wetherill Park NSW 2164	4,200	Professional Valuer	Asset condition, remaining lives, residual value
396 Victoria Street, Wetherill Park, NSW 2164	6,000	Professional Valuer	Asset condition, remaining lives, residual value
I,PP&E			
Capital work in progress	36,992	Cost used to approximate fair value	Gross replacement cost
Plant and equipment	15,191	Cost used to approximate fair value	Gross replacement cost
Office equipment	802	Cost used to approximate fair value	Gross replacement cost
Furniture and fittings	42	Cost used to approximate fair value	Gross replacement cost
Operational land	187,132	Professional Valuer	Land value, land area
Community land	428,634	NSW Valuer General land valuation	Land value, land area
Buildings	283,174	Cost used to approximate fair value	Gross replacement cost
Park infrastructure	16,438	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Roads	377,300	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value

Fairfield City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value. (continued)

Class	Fair value (30/6/17) $'000	Valuation technique/s	Unobservable inputs
I,PP&E (continued)			
Bridges	39,820	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Footpaths	94,480	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Stormwater drainage	206,103	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Kerb and gutter	146,722	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Library books	1,150	Cost used to approximate fair value	Gross replacement cost
Other assets	10,039	Cost used to approximate fair value	Gross replacement cost
Land under Roads	17,338	NSW Valuer General land valuation	Land value, land area
Bulk Earthworks	23,814	Unit rate per sqr meter or length	Asset condition, remaining lives, residual value
Non-current assets classified as 'held for sale'			
Land	220	Cost used to approximate fair value	Gross replacement cost

(5). Highest and best use

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

Fairfield City Council

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

Note 28. Related party disclosures

$ '000

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. Positions determined to be KMP's includes Councillors,City Managers,Directors and Group Managers.

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

	Actual 2017
Compensation:	
Short-term benefits	2,783
Other long-term benefits	20
Total	2,803

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.

Nature of the transaction	Note	Value of transactions during year $'000	Outstanding balance (incl. loans and commitments) $'000	Terms and conditions	Provisions for doubtful debts outstanding $'000	Doubtful debts expense recognised $'000
Employee expenses relating to close family member of KMP	1	17				

1 Close family members of Council's KMP are employed by the Council under the relevant pay award on an arms length basis. There were 2 close family members of KMP, that were employed casually by the Council to assist with Council's election.

Fairfield City Council

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

Note 29. Council information and contact details

Principal place of business:
86 Avoca Road
WAKELEY NSW 2176

Contact details

Mailing address:
PO Box 21
FAIRFIELD NSW 1860

Opening hours:
Monday to Friday
8:30am to 4:30pm

Telephone: 02 9725 0222
Facsimile: 02 9725 4249

Internet: www.fairfieldcity.nsw.gov.au
Email: mail@fairfieldcity.nsw.gov.au

Officers

GENERAL MANAGER
Alan Young

RESPONSIBLE ACCOUNTING OFFICER
Bradley Cutts

PUBLIC OFFICER
Amanda Spalding

AUDITORS
2016/17
Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney, NSW 2000

2015/16
Pitcher Partners
GPO Box 1615 Sydney,
NSW 2001

Elected members

MAYOR
Frank Carbone

COUNCILLORS
Paul Adam Azzo
Del Bennett
Anita Kazi
Charbel Saliba
Peter Fowler Grippaudo
Dai Le
Kien Ly
Adrian Wong
Ninos Khoshaba
Joe Molluso
Andrew Rohan
Sera Yilmaz

Other information
ABN: 83 140 439 239

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

25 October 2017
SYDNEY

audit office
OF NEW SOUTH WALES

Mayor Frank Carbone
Fairfield City Council
PO Box 21
FAIRFIELD NSW 1860

Contact: Renee Meimaroglou
Phone no: 02 9275 7389
Our ref: D1727109/1723

25 October 2017

Dear Mayor Carbone

Report on the Conduct of the Audit

for the year ended 30 June 2017

Fairfield City Council

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

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

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

INCOME STATEMENT

Operating result

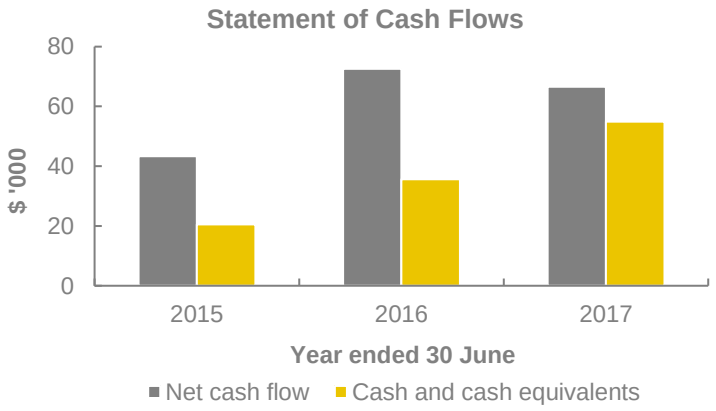
	2016–17 $m	2015–16 $m	Variance %
Rates and annual charges revenue	106.5	103.7	2.7 ↑
Grants and contributions revenue	43.9	45.0	-2.4 ↓
Operating result for the year	41.5	45.1	-8.0 ↓
Net operating result before capital amounts	23.5	20.2	16.3 ↑

The operating result for the year was a surplus of $41.5 million (2016: $45.1 million) and included depreciation expense of $30.7 million (2016: $28.5 million). The lower operating result is mainly due to decrease in net gains from disposals of real estate assets compared to the previous year. Prior year disposals included the sale of Diamond Creek land.

Rates and annual charges represent 54.7 per cent of Council's total revenues and increased by 2.7 per cent from the previous year. The increase is due to Council receiving a 1.5 per cent rate peg increase and expanding rates base due to development activity during the year.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by $19.3 million to $54.9 million at 30 June 2017.



In addition to operating activities which contributed net cash inflow of $66.6 million (2016: $72.6 million), there were proceeds from the sale of assets ($1.9 million) and the sale of real estate assets of ($1 million). Cash outflows other than operating activities were used to purchase investment securities ($4 million), and to purchase and construct assets ($45.2 million). The increase in cash was mainly due to lower levels of purchases for infrastructure, property, plant & equipment compared to 2015–16.

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	$m	$m	
External restrictions	74.2	60.5	Cash and investments amounted $123.8 million at 30 June 2017 (2016: $100.4 million). The increase is mainly due to the Council's surplus for the year of $41.5 million.
Internal restrictions	21.1	20.9	
Unrestricted	28.5	19.0	
Cash and investments	123.8	100.4	

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

Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect forward plans and identified programs of works. These totalled $21.1 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to $28.5 million, which is available to provide liquidity for day to day operations.

Debt

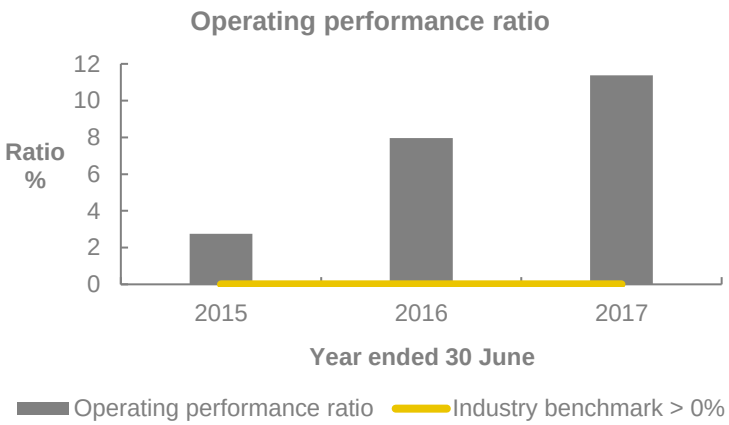
After repaying principal and interest of $322,000 during the financial year, total debt as at 30 June 2017 was $756,000 (2016: $1.1 million).

PERFORMANCE RATIOS

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

Operating performance ratio

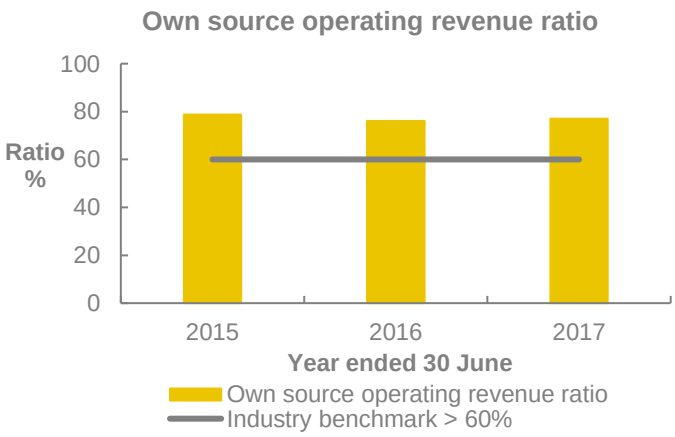
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Council's operating performance indicator of 11.4 per cent (7.9 per cent in 2016) exceeded the benchmark due to an improved operating result before capital grants and contributions. This was mainly due to an increase in rates and annual charges of $2.8 million, an increase in operating grants of $5.6 million offset by a decrease in net gains from the disposal of assets. A decline in capital grants of $6.7 million in 2016–17 further improves this ratio.

Own source operating revenue ratio

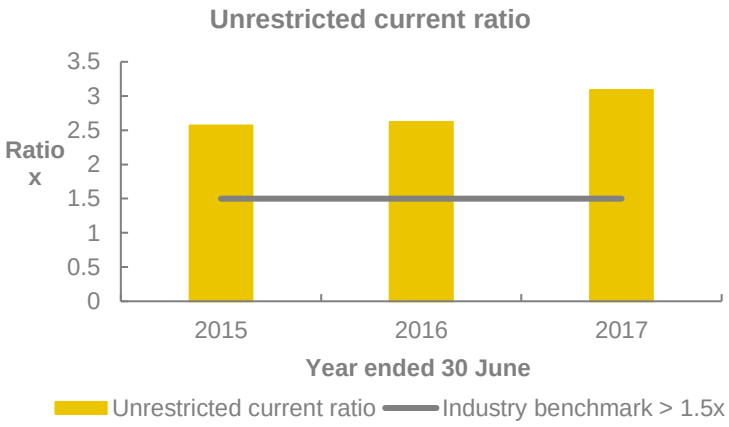
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 77.0 per cent in 2016–17 (76.1 per cent in 2016), exceeding the benchmark of 60 per cent.

Unrestricted current ratio

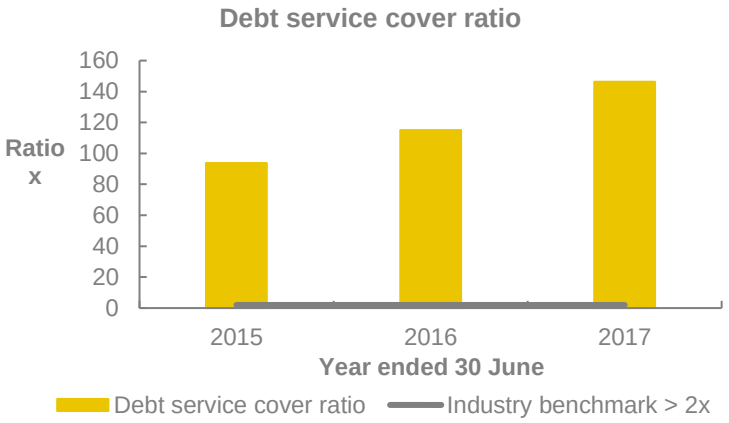
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio slightly increased to 3.1 as at 30 June 2017 (2.6 in 2016) and exceeded the benchmark of 1.5 times. The improvement in the ratio is due to increased cash balances compared to 2015–16.

Debt service cover ratio

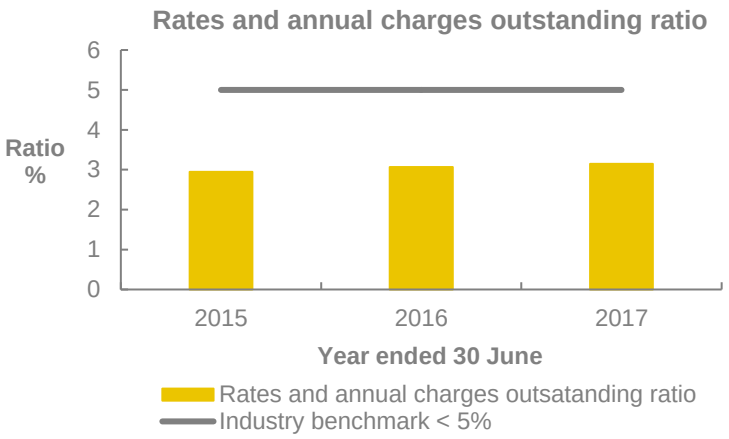
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2017 is 146.3 (115.0 in 2016). This improvement is mainly due to Council's increase in operating result before capital grants, depreciation, impairment and amortisation of $9.8 million.

Rates and annual charges outstanding ratio

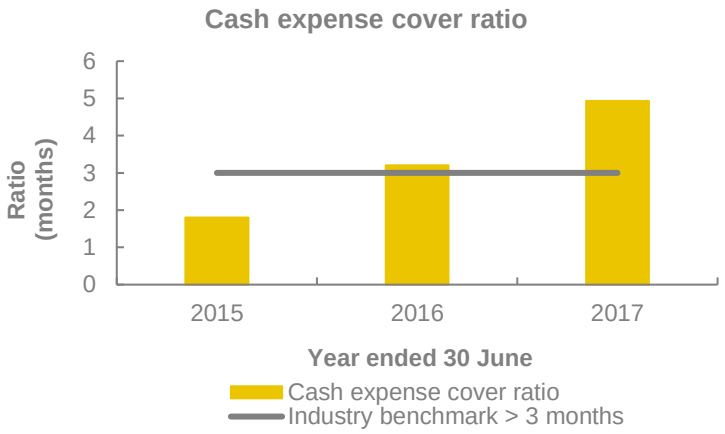
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is below 5 per cent for metro councils.



The rates and annual charges outstanding ratio was 3.15 per cent as at 30 June 2017 (3.1 per cent in 2016) and continues to lower than the industry benchmark of 5 per cent. Council has continued to achieve an average of 3 per cent over the past three years.

Cash expense cover ratio

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

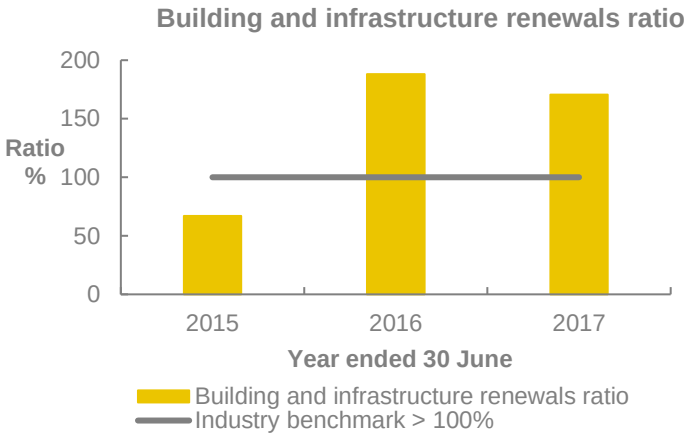


Council's cash expense cover ratio was 4.9 months and exceeds the benchmark of three months.

Building and infrastructure renewals ratio

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

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



Special Schedule No. 7 disclosed infrastructure renewals for 2017 represented 170.4 per cent (188.1 per cent in 2016) of the depreciation charges for those assets, exceeding the benchmark of 100 per cent.

OTHER MATTERS

Council Entities

New accounting standards implemented

AASB 124 'Related Party Disclosures'	
Effective for annual reporting periods beginning on or 1 July 2016	AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the: • compensation paid to their key management personnel • nature of their related party relationships • amount and nature of their related party transactions, outstanding balances and commitments

Asset Revaluations

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

During the year, investment properties were revalued. This resulted in a net increase of $1.7million recognised directly in the Income Statement and disclosed in Note 3(d).

Legislative compliance

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

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

Renee Meimaroglou
Director, Financial Audit Services

25 October 2017
SYDNEY

cc: Mr Alan Young, General Manager
Ms Terese Manns, Chair of Audit and Risk Committee
Tim Hurst, Acting Chief Executive of the Office of Local Government

Fairfield City Council

SPECIAL SCHEDULES
for the year ended 30 June 2017

"…a thriving, safe and friendly place with people who support and respect each other. A community where people can be proud to live, invest and prosper."

FairfieldCity
Celebrating diversity

Fairfield City Council

Special Schedules
for the year ended 30 June 2017

Contents

Page

Special Schedules[1]

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	5
Special Schedule 8	Permissible Income Calculation	8

[1] Special Schedules are not audited (with the exception of Special Schedule 8).

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water (NOW), and
- the Office of Local Government (OLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
- the incorporation of Local Government financial figures in national statistics,
- the monitoring of loan approvals,
- the allocation of borrowing rights, and
- the monitoring of the financial activities of specific services.

Fairfield City Council

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

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	**1,476**	**7**	**–**	**(1,469)**
Administration	**35,223**	**3,106**	**10**	**(32,107)**
Public order and safety				
Fire service levy, fire protection, emergency services	2,321	74	–	**(2,247)**
Beach control	–	–	–	**–**
Enforcement of local government regulations	3,846	5,578	–	**1,732**
Animal control	318	88	–	**(230)**
Other	–	–	–	**–**
Total public order and safety	**6,485**	**5,740**	**–**	**(745)**
Health	**663**	**518**	**–**	**(145)**
Environment				
Noxious plants and insect/vermin control	–	–	–	**–**
Other environmental protection	660	525	–	**(135)**
Solid waste management	27,169	29,468	177	**2,476**
Street cleaning	3,761	53	–	**(3,708)**
Drainage	4,967	1,584	3,516	**133**
Stormwater management	–	–	–	**–**
Total environment	**36,557**	**31,630**	**3,693**	**(1,234)**
Community services and education				
Administration and education	1,213	29	4	**(1,180)**
Social protection (welfare)	920	39	–	**(881)**
Aged persons and disabled	221	132	–	**(89)**
Children's services	10,915	10,517	–	**(398)**
Total community services and education	**13,269**	**10,717**	**4**	**(2,548)**
Housing and community amenities				
Public cemeteries	–	–	–	**–**
Public conveniences	10	–	–	**(10)**
Street lighting	2,811	861	–	**(1,950)**
Town planning	2,848	1,237	–	**(1,611)**
Other community amenities	(26)	–	8	**34**
Total housing and community amenities	**5,643**	**2,098**	**8**	**(3,537)**
Water supplies	**–**	**–**	**–**	**–**
Sewerage services	**–**	**–**	**–**	**–**

Fairfield City Council

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

$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,623	633	200	(5,790)
Museums	654	135	–	(519)
Art galleries	133	4	–	(129)
Community centres and halls	2,839	685	–	(2,154)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	389	–	–	(389)
Sporting grounds and venues	(634)	745	100	1,479
Swimming pools	8,464	4,253	–	(4,211)
Parks and gardens (lakes)	2,480	181	1,347	(952)
Other sport and recreation	2,769	3,923	4,946	6,100
Total recreation and culture	**23,717**	**10,559**	**6,593**	**(6,565)**
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	923	636	–	(287)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	**923**	**636**	–	**(287)**
Transport and communication				
Urban roads (UR) – local	3,123	1,067	7,548	5,492
Urban roads – regional	2,036	–	–	(2,036)
Sealed rural roads (SRR) – local	–	–	–	–
Sealed rural roads (SRR) – regional	9,195	–	–	(9,195)
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	195	–	–	(195)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	4,053	2,567	178	(1,308)
Footpaths	2,678	166	20	(2,492)
Aerodromes	–	–	–	–
Other transport and communication	149	–	–	(149)
Total transport and communication	**21,429**	**3,800**	**7,746**	**(9,883)**
Economic affairs				
Camping areas and caravan parks	803	368	–	(435)
Other economic affairs	7,148	12,073	–	4,925
Total economic affairs	**7,951**	**12,441**	–	**4,490**
Totals – functions	**153,336**	**81,252**	**18,054**	**(54,030)**
General purpose revenues (1)		**94,838**		**94,838**
Share of interests – joint ventures and associates using the equity method	–	**743**		**743**
NET OPERATING RESULT (2)	**153,336**	**176,833**	**18,054**	**41,551**

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

(2) As reported in the Income Statement

Fairfield City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the year ended 30 June 2017

$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–							–	–
NSW Treasury Corporation	–	–	–							–	–
Other State Government	–	–	–							–	–
Public subscription	–	–	–							–	–
Financial institutions	322	756	**1,078**	–	322	–	–	30	332	424	**756**
Other	–	–	–							–	–
Total loans	**322**	**756**	**1,078**	**–**	**322**	**–**	**–**	**30**	**332**	**424**	**756**
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total debt	**322**	**756**	**1,078**	**–**	**322**	**–**	**–**	**30**	**332**	**424**	**756**

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.
This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Fairfield City Council

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

$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance[a]	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	5,407	7,629	7,392	5,676	170,825	317,310	31%	40%	26%	2%	1%
	Sub-total	**5,407**	**7,629**	**7,392**	**5,676**	**170,825**	**317,310**	**31.0%**	**40.0%**	**26.0%**	**2.0%**	**1.0%**
Roads	Sealed roads	8,386	8,386	15,044	18,685	524,022	624,273	41%	34%	24%	1%	0%
	Bridges	11	11	128	67	39,820	47,093	59%	37%	4%	0%	0%
	Footpaths	1,683	1,683	2,423	1,604	94,480	113,562	51%	32%	15%	2%	0%
	Other road assets	264	264	788	608	–	32,549	63%	29%	8%	0%	0%
Stormwater	Stormwater drainage	312	312	825	597	206,103	250,897	36%	58%	5%	1%	0%
	Sub-total	**312**	**312**	**825**	**597**	**206,103**	**250,897**	**36.0%**	**58.0%**	**5.0%**	**1.0%**	**0.0%**
Open space/ recreational assets	Park Infrastructure Assets	1,439	1,439	3,551	3,157	13,647	31,156	31%	27%	35%	2%	5%
	Sub-total	**1,439**	**1,439**	**3,551**	**3,157**	**16,438**	**31,156**	**31.0%**	**27.0%**	**35.0%**	**2.0%**	**5.0%**
	TOTAL – ALL ASSETS	**17,502**	**19,724**	**30,151**	**30,394**	**925,989**	**1,416,840**	**39.6%**	**39.3%**	**19.6%**	**1.3%**	**0.3%**

Notes:

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

Infrastructure asset condition assessment 'key'

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

Fairfield City Council

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

$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods 2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals [1]	40,259	170.47%	>= 100%	188.14%	66.89%
Depreciation, amortisation and impairment	23,616				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	17,502	1.94%	< 2%	1.88%	1.87%
Net carrying amount of infrastructure assets	902,175				
3. Asset maintenance ratio					
Actual asset maintenance	30,394	1.01	> 1.00	1.08	0.95
Required asset maintenance	30,151				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,724	1.39%			
Gross replacement cost	1,416,840				

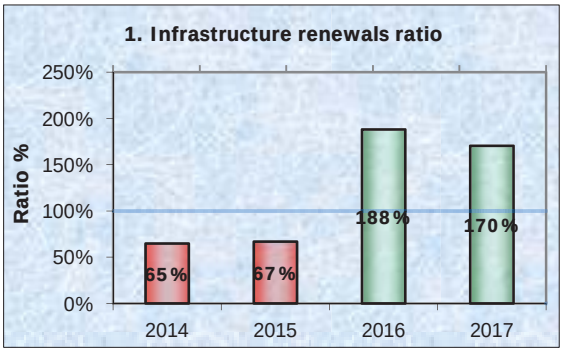
Notes

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

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

Fairfield City Council

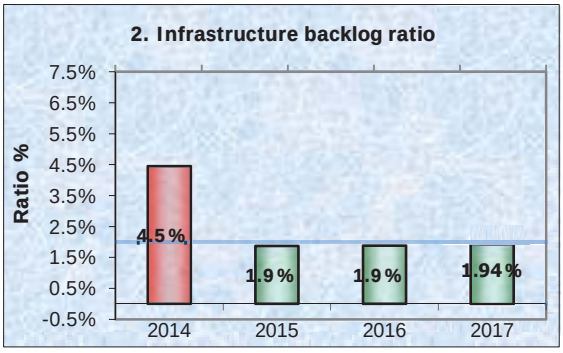
Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017



Purpose of asset renewals ratio	Commentary on 2016/17 result
	2016/17 Ratio 170.47%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	Council's Infrastructutre renewals ratio is 1.70 which is higher than Tcorp benchmark of 1. This means the council is funding sufficiently to renew its assets.

Benchmark: ——— Minimum >=100.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

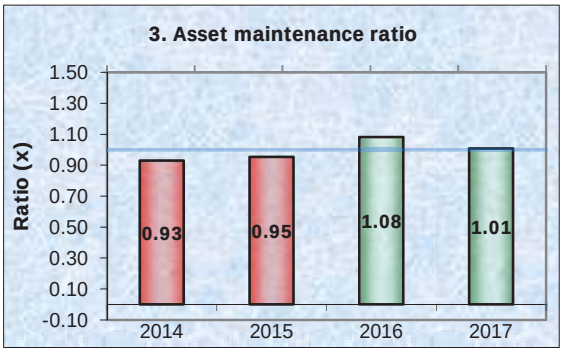
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of infrastructure backlog ratio	Commentary on 2016/17 result
	2016/17 Ratio 1.94%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	Council's infrastructure backlog ratio is 1.94 which is lower than Tcorp benchmark of 2%. This means the council has no major backlog of renewals on infrastructure.

Benchmark: ——— Maximum <2.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

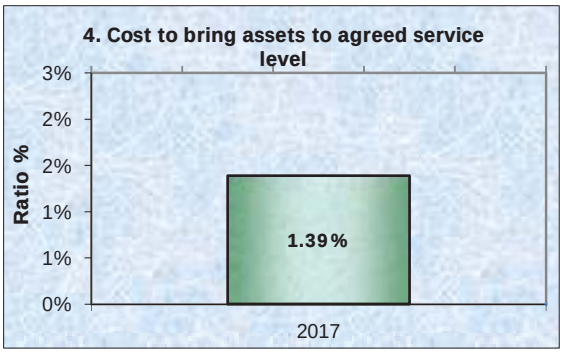
Ratio achieves benchmark
Ratio is outside benchmark



Purpose of asset maintenance ratio	Commentary on 2016/17 result
	2016/17 Ratio 1.01 x
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	Council's asset maintenance ratio is 1.01 which is higher than Tcorp benchmark of 1. This means council is funding enough in asset maintenance to stop the infrastructure backlog growing.

Benchmark: ——— Minimum >1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio	Commentary on 2016/17 result
	2016/17 Ratio 1.39%
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.	This ratio of 1.39 is below than Tcorp benchmark of 3%. This means council adequately funded to maintain the assets to provide agreed service lelve lto the community.

Fairfield City Council

Special Schedule 8 – Permissible Income Calculation
for the year ended 30 June 2018

$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation (1)			
Last year notional general income yield	a	77,307	78,856
Plus or minus adjustments (2)	b	173	114
Notional general income	c = (a + b)	**77,480**	**78,970**
Permissible income calculation			
Special variation percentage (3)	d	0.00%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,395	1,185
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	**78,875**	**80,155**
Plus (or minus) last year's carry forward total	l	0	(0)
Less valuation objections claimed in the previous year	m	(19)	–
Sub-total	n = (l + m)	**(19)**	**(0)**
Total permissible income	o = k + n	**78,856**	**80,155**
Less notional general income yield	p	78,856	80,164
Catch-up or (excess) result	q = o – p	**(0)**	**(9)**
Plus income lost due to valuation objections claimed (4)	r	–	9
Less unused catch-up (5)	s	–	–
Carry forward to next year	t = q + r – s	**(0)**	**0**

Notes

(1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.

(2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.

(3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.

(4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.

(5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

(6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

Fairfield City Council

Special Schedule 8 – Independent Auditors Report
for the year ended 30 June 2018

Report on Special Schedule 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule 8) of Fairfield City Council for the year ending 30 June 2018.

Responsibility of Council for Special Schedule 8

The Council is responsible for the preparation and fair presentation of Special Schedule 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on Special Schedule 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule 8.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

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

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

25 October 2017
SYDNEY

Fairfield City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

"…a thriving, safe and friendly place with people who support and respect each other. A community where people can be proud to live, invest and prosper."

FairfieldCity
Celebrating diversity

Fairfield City Council

Special Purpose Financial Statements
for the year ended 30 June 2017

Contents

	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Other Business Activities	3
Statement of Financial Position – Other Business Activities	4
3. Notes to the Special Purpose Financial Statements	5
4. Auditor's Report	9

Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the 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).

Fairfield City Council

Special Purpose Financial Statements
for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2017.

Frank Carbone
Mayor

Adrian Wong
Councillor

Alan Young
General manager

Bradley Cutts
Responsible accounting officer

Fairfield City Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2017

	Dutton Lane Retail Business		Sustainable Resource Centre	
	Category 2		Category 1	
$ '000	**Actual 2017**	**Actual 2016**	**Actual 2017**	**Actual 2016**
Income from continuing operations				
Rental Income	1,249	–	–	–
User charges	–	–	11,223	10,743
Fees	–	–	–	–
Interest	–	–	–	–
Grants and contributions provided for non-capital purposes	–	–	–	44
Profit from the sale of assets	–	–	65	–
Share of profit from equity accounted investment	–	–	–	–
Other income	–	–	48	–
Total income from continuing operations	**1,249**	**–**	**11,336**	**10,787**
Expenses from continuing operations				
Employee benefits and on-costs	–	–	1,211	1,136
Borrowing costs	–	–	–	–
Materials and contracts	379	–	7,964	6,321
Depreciation, amortisation and impairment	19	–	326	344
Loss on sale of assets	–	–	–	–
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Internal recharges	–	–	(1,164)	791
Other expenses	–	–	–	–
Total expenses from continuing operations	**398**	**–**	**8,337**	**8,592**
Surplus (deficit) from continuing operations before capital amounts	**851**	**–**	**2,999**	**2,195**
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	**851**	**–**	**2,999**	**2,195**
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	**851**	**–**	**2,999**	**2,195**
Less: corporate taxation equivalent (30%) [based on result before capital]	(255)	–	(900)	(659)
SURPLUS (DEFICIT) AFTER TAX	**596**	**–**	**2,099**	**1,537**
Plus opening retained profits	–	–	6,080	3,885
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	255	–	900	659
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	**851**	**–**	**9,079**	**6,080**
Return on capital %	**6.9%**	**n/a**	**31.8%**	**24.2%**
Subsidy from Council	**–**	**–**	**–**	**–**

Fairfield City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2017

	Dutton Lane Retail Business		Sustainable Resource Centre	
	Category 2		Category 1	
$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	596	–	3,827	1,983
Receivables	255	–	2,044	1,897
Inventories	–	–	21	15
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	**851**	**–**	**5,892**	**3,895**
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	12,356	–	9,432	9,070
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
Total non-current assets	**12,356**	**–**	**9,432**	**9,070**
TOTAL ASSETS	**13,207**	**–**	**15,324**	**12,965**
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	392	1,032
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	**–**	**–**	**392**	**1,032**
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total non-current liabilities	**–**	**–**	**–**	**–**
TOTAL LIABILITIES	**–**	**–**	**392**	**1,032**
NET ASSETS	13,207	–	14,932	11,933
EQUITY				
Retained earnings	851	–	9,079	6,080
Revaluation reserves	–	–	5,853	5,853
Council equity	12,356	–	–	–
Council equity interest	**13,207**	**–**	**14,932**	**11,933**
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	13,207	–	14,932	11,933

Fairfield City Council

Special Purpose Financial Statements
for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	6

Fairfield City Council

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

Note 1. Significant accounting policies

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1
(where gross operating turnover is over $2 million)

Sustainable Resource Centre

Facility for recycling used road materials

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

Dutton Plaza Retail Centre

Monetary amounts

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

(i) Taxation-equivalent charges

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

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

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

Fairfield City Council

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

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first **$549,000** of combined land values attracts **0%**. For the combined land values in excess of $549,001 up to $3,357,000 the rate is 1.6% + $100. For the remaining combined land value that exceeds $3,357,000 a premium marginal rate of **2.0%** applies.

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

Fairfield City Council

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

Note 1. Significant accounting policies (continued)

The rate of return is calculated as follows:

$$\frac{\textbf{Operating result before capital income + interest expense}}{\textbf{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.6% at 30/6/17.

(iv) Dividends

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

INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

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

The Declared Business Activities of the Council are:

- Dutton Lane Retail Business
- Sustainable Resource Centre.

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

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

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

The description forms part of my auditor's report.

My opinion does not provide assurance:

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

Renee Meimaroglou
Director, Financial Audit Services

25 October 2017
SYDNEY