

Fairfield City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"...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."



Fairfield City Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

86 Avoca Road
WAKELEY NSW 2176

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

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

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

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

Fairfield City Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

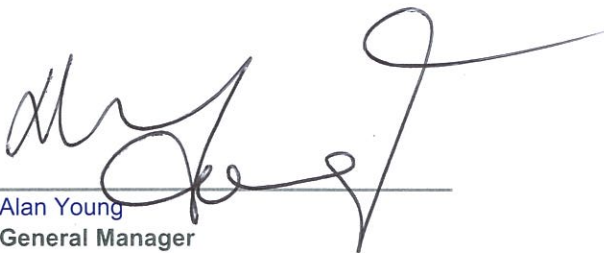
Signed in accordance with a resolution of Council made on 16 October 2018.



Frank Carbone
Mayor
16 October 2018



Sera Yilmaz
Councillor
16 October 2018



Alan Young
General Manager
16 October 2018



Lachlan Gunn
Responsible Accounting Officer
16 October 2018

Fairfield City Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
108,426	Rates and annual charges	3a	109,157	106,537
17,626	User charges and fees	3b	18,834	18,655
2,569	Interest and investment revenue	3c	3,621	3,308
19,851	Other revenues	3d	23,001	18,772
20,187	Grants and contributions provided for operating purposes	3e,f	20,931	25,836
18,776	Grants and contributions provided for capital purposes	3e,f	11,615	18,054
Other income:				
–	Net gains from the disposal of assets	5	–	1,256
–	Fair value increment on investment properties	11	–	1,726
–	Net share of interests in joint ventures and associates using the equity method	17	957	743
187,435	Total income from continuing operations		188,116	194,887
Expenses from continuing operations				
74,096	Employee benefits and on-costs	4a	71,955	67,370
20	Borrowing costs	4b	20	30
29,120	Materials and contracts	4c	29,717	24,183
30,677	Depreciation and amortisation	4d	29,071	30,679
32,807	Other expenses	4e	30,212	29,974
–	Net losses from the disposal of assets	5	1,485	–
–	Revaluation decrement / impairment of IPP&E	4d	–	1,100
166,720	Total expenses from continuing operations		162,460	153,336
20,715	Operating result from continuing operations		25,656	41,551
20,715	Net operating result for the year		25,656	41,551
20,715	Net operating result attributable to Council		25,656	41,551
1,939	Net operating result for the year before grants and contributions provided for capital purposes		14,041	23,497

Fairfield City Council

Statement of Comprehensive Income

for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		25,656	41,551
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant and Equipment	10a	123,361	(7,697)
Impairment (loss) reversal relating Infrastructure, Property, Plant and Equipment	10a	—	(1,480)
Total items which will not be reclassified subsequently to the operating result		123,361	(9,177)
Total other comprehensive income for the year		123,361	(9,177)
Total comprehensive income for the year		149,017	32,374
Total comprehensive income attributable to Council		149,017	32,374

Fairfield City Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	37,399	54,909
Investments	6b	49,228	30,174
Receivables	7	10,103	10,364
Inventories	8	580	592
Other	8	1,066	1,616
Non-current assets classified as 'held for sale'	9	–	220
Total current assets		98,376	97,875
Non-current assets			
Investments	6b	52,000	38,800
Infrastructure, property, plant and equipment	10	1,894,682	1,760,684
Investments accounted for using the equity method	17	6,949	6,399
Investment property	11	13,874	13,835
Intangible assets	12	568	170
Total non-current assets		1,968,073	1,819,888
TOTAL ASSETS		2,066,449	1,917,763
LIABILITIES			
Current liabilities			
Payables	13	20,548	18,948
Borrowings	13	252	332
Provisions	14	18,478	20,176
Total current liabilities		39,278	39,456
Non-current liabilities			
Borrowings	13	172	424
Provisions	14	3,116	3,017
Total non-current liabilities		3,288	3,441
TOTAL LIABILITIES		42,566	42,897
Net assets		2,023,883	1,874,866
EQUITY			
Accumulated surplus	15	817,375	791,719
Revaluation reserves	15	1,206,508	1,083,147
Total equity		2,023,883	1,874,866

Fairfield City Council

Statement of Changes in Equity
for the year ended 30 June 2018

		2018		2017		
	Notes	Accumulated surplus	IPP&E revaluation reserve	Accumulated surplus	IPP&E revaluation reserve	Total equity
\$ '000						
Opening balance		791,719	1,083,147	750,640	1,091,852	1,842,492
Net operating result for the year		25,656	–	41,551	–	41,551
Other comprehensive income						
– Gain (loss) on revaluation of IPP&E	10a	–	123,361	–	(7,697)	(7,697)
– Impairment (loss) reversal relating to IPP&E	10a	–	–	–	(1,480)	(1,480)
Other comprehensive income		–	123,361	–	(9,177)	(9,177)
Total comprehensive income (c&d)		25,656	123,361	41,551	(9,177)	32,374
Transfers between equity items		–	–	(472)	472	–
Equity – balance at end of the reporting period		817,375	1,206,508	791,719	1,083,147	1,874,866

Fairfield City Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
108,112	Rates and annual charges		108,821	106,358
17,626	User charges and fees		18,834	18,655
2,503	Investment and interest revenue received		3,674	3,117
38,963	Grants and contributions		34,269	43,890
120	Bonds, deposits and retention amounts received		123	101
32,400	Other		32,467	27,829
Payments:				
(71,261)	Employee benefits and on-costs		(72,321)	(68,810)
(32,000)	Materials and contracts		(32,613)	(23,713)
(21)	Borrowing costs		(21)	(31)
(37,000)	Other		(37,208)	(40,819)
59,442	Net cash provided (or used in) operating activities	16b	56,025	66,577
Cash flows from investing activities				
Receipts:				
–	Sale of real estate assets		–	1,040
1,700	Sale of infrastructure, property, plant and equipment		1,161	1,913
Payments:				
(15,000)	Purchase of investment securities		(32,200)	(4,000)
–	Purchase of investment property		(39)	–
(58,707)	Purchase of infrastructure, property, plant and equipment		(42,532)	(45,235)
–	Purchase of real estate assets		–	(683)
(72,007)	Net cash provided (or used in) investing activities		(73,203)	(46,965)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(332)	Repayment of borrowings and advances		(332)	(322)
(332)	Net cash flow provided (used in) financing activities		(332)	(322)
(12,897)	Net increase/(decrease) in cash and cash equivalents		(17,510)	19,290
45,000	Plus: cash and cash equivalents – beginning of year	16a	54,909	35,619
32,103	Cash and cash equivalents – end of the year	16a	37,399	54,909
Additional Information:				
plus:	Investments on hand – end of year	6b	101,228	68,974
Total cash, cash equivalents and investments			138,627	123,883

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 16/10/2018.

Council has the power to amend and reissue these financial statements.

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

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.

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

Full dollars have been used in Note 23 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

Council adopted the following Australian accounting standard amendments for these financial statements:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

This disclosure Initiative helps users of financial statements to better understand changes in an entity's debt.

Additional disclosures relating to changes in liabilities arising from financing activities (including both changes arising from cash flows and non-cash changes) have been incorporated in these financial statements at Note 13 (c).

- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities

This Standard means that Not-for-profit entities (and therefore Council) no longer need to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

Instead it is expected that for Not-for-profit entities holding non-cash-generating the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 13 Fair Value Measurement.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

(b) Historical cost convention

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

(c) 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 – refer Note 11,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (iii) employee benefit provisions – refer Note 14.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

(b) 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 other assets 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 other assets subject to Council's control have been included in these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

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

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Asset Management - Civil & Built	6,193	7,192	19,595	20,548	(13,402)	(13,356)	5,854	6,973	1,222,930	1,211,727
Asset Management - Open Space	425	506	4,553	4,482	(4,128)	(3,976)	157	160	124,623	121,657
Building Control and Compliance	896	993	3,067	2,642	(2,171)	(1,649)	–	–	–	–
Catchment Management	1,935	1,786	1,859	1,191	76	595	417	255	4,848	6,523
Children and Family Services	10,606	10,157	10,559	10,153	47	4	3,701	3,503	16,454	14,445
City Connect Bus	16	–	144	200	(128)	(200)	–	–	(35)	(35)
Communications	5	7	1,200	1,200	(1,195)	(1,193)	–	–	202	408
Community Enforcement and Regulation	7,102	5,346	3,547	3,141	3,555	2,205	–	–	209	210
Community Facilities	801	713	3,007	3,332	(2,206)	(2,619)	–	12	33,801	29,755
Corporate Planning and Improvements	–	–	700	514	(700)	(514)	–	–	8	11
Customer Service Admin Building	6	8	932	971	(926)	(963)	–	–	1	2
Design Surveying	1,317	3,892	1,210	(11)	107	3,903	1,139	3,891	3,506	12,416
Development Planning	928	771	2,281	1,964	(1,353)	(1,193)	–	–	–	–
Emergency Risk Management	73	73	2,112	2,073	(2,039)	(2,000)	79	79	634	1,184
Enterprise Risk Management	–	1	1,718	670	(1,718)	(669)	–	–	–	–
Environment and Public Health	442	519	1,133	985	(691)	(466)	–	–	99	104
Financial Sustainability	141	162	3,558	2,743	(3,417)	(2,581)	–	–	585	593
Governance & Civic Centre	4	9	1,495	2,113	(1,491)	(2,104)	–	–	18	21
Human Services	–	–	2,637	2,995	(2,637)	(2,995)	–	–	4	7
Information Technology (IT)	–	–	6,741	5,288	(6,741)	(5,288)	–	–	1,596	2,118
Infrastructure Construction and Maintenance	1,201	1,236	6,713	7,337	(5,512)	(6,101)	485	475	69,995	50,014
Internal Audit	–	–	185	175	(185)	(175)	–	–	–	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Leisure Centres	8,572	8,138	15,757	13,768	(7,185)	(5,630)	2	–	59,016	5,447
Library	648	833	7,170	6,653	(6,522)	(5,820)	513	709	14,985	15,738
Major Projects and Construction Contracts Management	–	2	600	(1,570)	(600)	1,572	–	–	3,630	6,122
Museum and Gallery	143	135	733	649	(590)	(514)	94	80	3,923	3,645
Parks and Gardens	16	57	1,216	(77)	(1,200)	134	–	–	17,906	13,071
Place Management and Economic Development	515	386	(117)	(5)	632	391	93	–	3,587	3,249
Procurement	13	300	912	931	(899)	(631)	–	–	2,517	2,429
Property	8,107	5,646	4,378	4,403	3,729	1,243	–	–	62,865	88,452
Property Development Fund	1,102	3,101	146	424	956	2,677	–	–	3,810	4,395
Records and Information Management	–	–	1,444	1,172	(1,444)	(1,172)	–	–	–	–
Showground and Golf Course	1,515	1,463	743	1,104	772	359	–	–	4,899	4,724
Social and Cultural Development	509	460	2,459	2,250	(1,950)	(1,790)	477	407	91	81
Strategic Land Use Planning	494	529	1,279	1,004	(785)	(475)	22	63	–	–
Street and Public Amenities Cleaning	706	753	4,550	5,351	(3,844)	(4,598)	–	–	208	117
Sustainable Resource Centre	4,678	5,039	2,839	2,038	1,839	3,001	–	–	10,594	9,453
Traffic, Transport and Road Safety	–	–	325	346	(325)	(346)	–	–	106	57
Waste Education and Environment Sustainability	378	841	2,017	2,282	(1,639)	(1,441)	291	733	(1,067)	–
Waste Management	30,122	29,438	22,910	24,322	7,212	5,116	628	646	3,103	3,470
Corporate Services	98,507	104,395	14,153	13,585	84,354	90,810	8,330	13,063	395,809	257,123
Other	–	–	–	–	–	–	–	–	989	49,030
Total functions and activities	188,116	194,887	162,460	153,336	25,656	41,551	22,282	31,049	2,066,449	1,917,763

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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:

Asset Management - Civil & Built

Ensure community assets (buildings, drainage, roads and street lighting) are maintained to an agreed standard by undertaking condition inspections to identify and program required repair and renewal works.

Asset Management - Open Space

Ensure Open Space and related assets (Parks, Playgrounds, Reserves, Sportsfields, Trees and Public Toilets) are maintained to an agreed standard by undertaking condition inspections to identify and program required maintenance and renewal works.

Building Control and Compliance

Performs the assessment, investigation, certification and enforcement of laws, regulations and policies for developments and land use activities within Fairfield City to ensure their compliance, health, safety and amenity.

Catchment Management

Develop policy, undertake studies to identify and plan measures, develop detailed designs for construction of measures and provide advice relating to catchment planning, floodplain, stormwater and waterway management.

Children and Family Services

Provides quality children and family services including child care and early intervention programs to ensure a good future for our children and families within Fairfield City.

City Connect Bus

Provides free City Connect Bus Service for areas that are poorly serviced by existing private bus routes and increase accessibility to key destinations and community facilities.

Communications

Promote Council, and encourage community engagement through social media, coordinating media enquiries, responses and releases. Mayoral engagements as well as providing graphic design and print services for Council.

Community Enforcement and Regulation

Investigate and ensure compliance with the regulatory and compliance laws within Fairfield City on community, parking and companion animal issues.

Community Facilities

Coordinate the management of Council community facilities including community buses, sporting fields, tennis/futsal and community centres/halls.

Corporate Planning and Improvements

Implement the compliance, coordination and development of the Integrated Planning and Reporting Framework (documents and reports) and service area improvements.

Customer Service Admin Building

Delivers a centralised Customer Service Centre at the administration building, which provides information, transactions and advice to customers via the front counter and operates the call centre.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

Design Surveying

Defines, develops and manages civil, urban and landscape infrastructure designs; and provides surveying and spatial data services.

Development Planning

Conduct the assessment and processing of all major development applications and engineering construction certificates across residential, commercial and industrial developments.

Emergency Risk Management

Provide leadership, assistance and resources in order to support emergency and disaster planning, response and recovery operations within Fairfield City.

Enterprise Risk Management

Develop, implement and manage Council's Enterprise Risk Management Framework and the management of Council's commercial insurance function inclusive of general insurance renewals and insurance claims.

Environment and Public Health

Monitor and enforce regulatory and compliance laws within Fairfield City for environmental and public health standards.

Financial Sustainability

Conduct the delivery of Council's financial services, rate payments, revenue collection, analysis, advice and statutory reporting to ensure appropriate cash flow and long term financial viability.

Governance & Civic Centre

Ensure that Council has strong and effective governance and oversee the management of processes and protocols for Council's formal decision making that supports Council's capability to fulfil its legal, financial and ethical obligations.

Human Services

Provide strategic and operational human resources service including industrial and employee relations, work health and safety, workers compensation, payroll and organisational and workforce development.

Information Technology (IT)

Provide the implementation, maintenance and support of Council's information technology systems and infrastructures. Design, install and maintain the Closed Circuit Television (CCTV) program in public places and Council facilities across Fairfield City.

Infrastructure Construction and Maintenance

Deliver Council's major programs for new capital and renewal of infrastructure assets (buildings, roads, kerb and gutter, footpaths, drainage, signs/line marking and sportsfields). Undertake breakdown repair and programmed maintenance for Council's infrastructure assets to meet Council's service standard.

Internal Audit

Ensure that Council maintains a sound system of internal control, business improvement and compliance that supports Council's capability to fulfil its legal, financial and ethical obligations.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

Leisure Centres

Manage and maintain Council's three leisure centres (Prairiewood Leisure Centre, Fairfield Leisure Centre and Cabravale Leisure Centre), Fairfield Park Tennis Complex along with Fairfield Youth and Community Centre for the provision of indoor and outdoor, active and passive dry and aquatic facilities and services to the community and visitors for wellbeing, water safety, sport and recreation.

Library

Manage and maintain Council's five library sites (Cabramatta, Bonnyrigg, Fairfield, Wetherill Park and Smithfield) to provide equitable, accessible, cost effective and efficient service to meet the community needs of Fairfield City.

Major Projects and Construction Contracts Management

Project manages and coordinates the funding, design, construction and commissioning of major new community infrastructure, other civil and building construction, and special projects.

Undertakes the procurement process and management of external design and construction contracts over \$120,000 Council wide, and provides advice and coordination for construction contracts under \$120,000.

Museum and Gallery

Engages the local communities through visual arts and social history exhibitions, workshops, education programs and events; and manages and maintains the Social History Collection, Vintage Village, Stein Gallery, Museum and the site.

Parks and Gardens

Provide the necessary and effective resources to implement the service levels identified in Councils Parks and Recreation (Open Space) Asset Management Plan.

Place Management and Economic Development

Manage and coordinate projects, activities, policies, plans, partnerships and project opportunities across Fairfield City in consultation with key stakeholders to ensure the effective functioning of the Local Government Area's business centres, industrial lands, residential activity and its ongoing economic resilience. Focus is on public domain improvements, visual quality, general amenity and activation, economic development and sustainability, stakeholder engagement, place based major events, processing minor activity applications and reviewing development applications.

Procurement

Develop, implement and ensure a competitive, transparent, accountable and ethical procurement processes in the acquisition of goods and services to deliver Council services.

Property

Coordinate the management of Council owned properties, leased and licenced properties, retail shopping centres and multi-deck car parks as well as real estate functions to buy, sell, lease land, grant easements and road closures.

Property Development Fund

Provide Council with a self-funded Property Development Fund for the purpose of generating additional revenue through entrepreneurial real estate activities enabling Council to re-invest the funds back into the community.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

Records and Information Management

Manage Council's records and information including access, retrieval, storage and disposal.

Showground and Golf Course

Undertakes the management and maintenance of Fairfield Showground, Fairfield Markets, Fairfield Golf Course and Parklands Function Centre.

Social and Cultural Development

Social and Cultural Development works in partnership with community organisations, government agencies and business to ensure that vulnerable groups of people who need assistance, support or activities to participate in the economic, social and cultural life of the city receive help and opportunities. We advocate for additional resources, programs and policies to achieve social justice, minimise harm, enhance social inclusion, community participation and cohesion, as well as safe and healthy people and places.

Strategic Land Use Planning

Identify, map and coordinate planning for residential, business and rural land across Fairfield City, as well as preparing zoning certificates and representing Council on planning and infrastructure matters with State and Federal Governments.

Street and Public Amenities Cleaning

Provide the cleaning of streets and public amenities in the town centres, residential and industrial areas across Fairfield City.

Sustainable Resource Centre

Divert construction and demolition waste from landfill by recycling and selling construction materials.

Traffic, Transport and Road Safety

Manages Fairfield City's road network, including traffic management, transport, road safety, parking restrictions and liaison with State Government entities.

Waste Education and Environment Sustainability

Provide and deliver educational programs and community sustainability initiatives for the community and Council.

Waste Management

Manage domestic and commercial waste services across Fairfield City.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	45,468	44,527
Farmland	216	230
Business	32,409	31,530
Total ordinary rates	78,093	76,287
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	29,446	28,639
Drainage	1,514	1,508
Section 611 charges	104	103
Total annual charges	31,064	30,250
TOTAL RATES AND ANNUAL CHARGES	109,157	106,537

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

Accounting policy for rates and annual charges

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.

(b) User charges and fees**Specific user charges** (per s.502 – specific 'actual use' charges)

Domestic waste management services	115	98
Waste management services (non-domestic)	594	579
Total specific user charges	709	677

Other user charges and fees**(i) Fees and charges – statutory and regulatory functions (per s.608)**

Building regulation	161	212
Planning and building regulation	772	741
Regulatory fees	1,965	1,604
Section 149 certificates (EPA Act)	362	414
Total fees and charges – statutory/regulatory	3,260	2,971

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	3,862	3,773
Entry fees	3,908	3,620
Fairfield showground	1,528	1,384
Golf course	123	121
Library	131	118
Park rents	195	289
Photocopying machine charges	–	2
Recreation facilities	5,118	5,700
Total fees and charges – other	14,865	15,007
TOTAL USER CHARGES AND FEES	18,834	18,655

Accounting policy for user charges and fees

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

(c) Interest and investment revenue (including losses)**Interest**

– Overdue rates and annual charges (incl. special purpose rates)	291	270
– Cash and investments	3,276	2,941

Fair value adjustments

– Fair valuation movements in investments (at fair value or held for trading)	54	97
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TOTAL INTEREST AND INVESTMENT REVENUE	3,621	3,308
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Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	291	270
General Council cash and investments	2,336	2,123

Restricted investments/funds – external:

Development contributions		
– Section 7.11	973	897
– Section 64	21	18

Total interest and investment revenue recognised	3,621	3,308
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Accounting policy for interest and investment revenue

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – investment property	11	820	1,041
Rental income – other council properties		5,650	3,851
Fines		7,292	5,686
Legal fees recovery – rates and charges (extra charges)		288	343
Car park operations		2,895	2,560
Commissions and agency fees		140	123
Insurance claim recoveries		145	21
Recycling income (non-domestic)		4,760	5,053
Lease Termination Fee		952	–
Other		59	94
<u>TOTAL OTHER REVENUE</u>		<u>23,001</u>	<u>18,772</u>

Accounting policy for other revenue

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

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

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	8,943	14,399	–	–
Other				
Pensioners' rates subsidies – general component	1,697	1,759	–	–
Total general purpose	10,640	16,158	–	–
Specific purpose				
Bushfire and emergency services	79	79	–	–
Community care	1,193	1,329	–	–
Heritage and cultural	12	–	–	–
Library	3,108	3,044	–	–
Recreation and culture	84	80	35	72
Street lighting	951	861	–	–
Transport (other roads and bridges funding)	–	–	2,536	4,372
Other	1,490	1,172	2,154	3,882
Total specific purpose	6,917	6,565	4,725	8,326
Total grants	17,557	22,723	4,725	8,326
Grant revenue is attributable to:				
– Commonwealth funding	10,931	16,159	1,674	2,607
– State funding	6,607	6,564	3,003	5,719
– Other funding	19	–	48	–
	17,557	22,723	4,725	8,326
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	6,890	9,728
Total developer contributions – cash	–	–	6,890	9,728
Total developer contributions	–	–	6,890	9,728

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Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Child care	3,035	2,772	–	–
RMS contributions (regional roads, block grant)	283	302	–	–
Other	56	39	–	–
Total other contributions – cash	3,374	3,113	–	–
Total other contributions	3,374	3,113	–	–
Total contributions	3,374	3,113	6,890	9,728
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>20,931</u>	<u>25,836</u>	<u>11,615</u>	<u>18,054</u>

Accounting policy for contributions

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

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

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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	4,633	3,955
Add: operating grants recognised in the current period but not yet spent	401	1,110
Less: operating grants recognised in a previous reporting period now spent in the current reporting period	(323)	(432)
Unexpended and held as restricted assets (operating grants)	4,711	4,633
Capital grants		
Unexpended at the close of the previous reporting period	3,609	2,948
Add: capital grants recognised in the current period but not yet spent	48	771
Less: capital grants recognised in a previous reporting period now spent in the current reporting period	(617)	(110)
Unexpended and held as restricted assets (capital grants)	3,040	3,609
Contributions		
Unexpended at the close of the previous reporting period	37,810	29,996
Add: contributions recognised in the current period but not yet spent	7,885	8,687
Less: contributions recognised in a previous reporting period now spent in the current reporting Period	(76)	(873)
Unexpended and held as restricted assets (contributions)	45,619	37,810

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	53,666	50,541
Travel expenses	15	37
Employee leave entitlements (ELE)	8,348	8,487
Superannuation	6,513	6,021
Workers' compensation insurance	397	604
Fringe benefit tax (FBT)	98	126
Training costs (other than salaries and wages)	352	317
Protective clothing	239	345
Temporary contract labour	4,854	3,677
Other	97	97
Total employee costs	74,579	70,252
Less: capitalised costs	(2,624)	(2,882)
TOTAL EMPLOYEE COSTS EXPENSED	71,955	67,370
Number of 'full-time equivalent' employees (FTE) at year end	733	735

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 19 for more information.

(b) Borrowing costs	2018	2017
Interest bearing liability costs		
Interest on loans	20	30
Total interest bearing liability costs expensed	20	30
TOTAL BORROWING COSTS EXPENSED	20	30

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	16,051	11,926
Contractor and consultancy costs	1,492	1,277
Auditors remuneration ⁽²⁾	218	176
Legal expenses:		
– Legal expenses: other	1,021	815
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	1,383	1,292
Fuels	1,498	1,261
Increase/decrease stock valuation	(3)	(46)
Information technology	2,455	1,726
Materials fleet running expenses	5,892	6,401
Stock write off	(2)	(15)
Trading requirement stock	185	196
Total materials and contracts	30,190	25,009
Less: capitalised costs	(473)	(826)
TOTAL MATERIALS AND CONTRACTS	29,717	24,183

Operating leases

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

1. Operating lease rentals minimum lease payments are attributable to:

Computers	930	932
Other	453	360
	1,383	1,292

2. Auditor's remuneration

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

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

Audit and review of financial statements	204	136
Remuneration for audit and other assurance services	204	136
Total Auditor-General remuneration	204	136

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Other audit and assurance services	14	40
Remuneration for audit and other assurance services	14	40
Total remuneration of non NSW Auditor-General audit firms	14	40
Total Auditor remuneration	218	176

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,079	3,325
Office equipment		342	699
Furniture and fittings		20	33
Infrastructure:			
– Buildings – non-specialised		6,392	8,542
– Roads		10,575	9,544
– Bridges		536	562
– Footpaths		1,936	1,976
– Stormwater drainage		1,711	1,892
– Kerb and gutter		2,303	2,036
– Park infrastructure		1,206	1,205
Other assets:			
– Library books		107	288
– Other		804	577
Intangible assets	12	60	–
Total depreciation and amortisation costs		29,071	30,679
Impairment / revaluation decrement of IPP&E			
Infrastructure:			
– Buildings – non-specialised		–	1,100
Total IPP&E impairment / revaluation decrement costs / (reversals)		–	1,100
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT		29,071	31,779

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 12 for intangible assets.

Impairment of non-financial 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.

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Accounting policy for depreciation, amortisation and impairment expenses (continued)

Impairment of financial assets

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.

\$ '000	2018	2017
(e) Other expenses		
Advertising (general)	529	583
Advertising (positions vacant)	31	93
Bad and doubtful debts	9	(458)
Children services	138	162
Commission / rebate	839	513
Conferences	260	241
Consumables	154	106
Contributions/levies to other levels of government		
– Board of fire commission	1,888	1,862
– Corporation sole EPA act	592	598
– NSW waste and recycling services	13,501	14,940
Councillor expenses – mayoral fee	81	64
Councillor expenses – councillors' fees	363	295
Councillors' expenses (incl. mayor) – other (excluding fees above)	61	71
Donations, contributions and assistance to other organisations (Section 356)	67	76
Election expenses	–	710
Electricity and heating	1,804	1,678
Equipment less than \$1,000	386	509
Financial charges	236	197
Insurance	1,407	375
Photocopier operating costs	95	99
Postage	762	779
Printing and stationery	302	417
Publicity and promotion	600	586
Rates collection	7	8
Street lighting	2,883	2,810
Subscriptions and publications	691	551
Telephone and communications	587	596
Valuation fees	403	338
Water rates	928	712
Other	608	463
TOTAL OTHER EXPENSES	30,212	29,974

Accounting policy for other expenses

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	10		
Proceeds from disposal – property		–	230
Less: carrying amount of property assets sold/written off		(1,992)	(4)
Net gain/(loss) on disposal		(1,992)	226
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,161	1,683
Less: carrying amount of plant and equipment assets sold/written off		(654)	(1,010)
Net gain/(loss) on disposal		507	673
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		–	1,040
Less: carrying amount of real estate assets sold/written off		–	(683)
Net gain/(loss) on disposal		–	357
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,485)	1,256

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents		
Cash on hand and at bank	2,211	31,361
Cash-equivalent assets		
– Deposits at call	35,188	23,548
Total cash and cash equivalents	37,399	54,909

Accounting policy for 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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	228	–	4,174	–
b. 'Held-to-maturity'	49,000	52,000	26,000	38,800
Total investments	49,228	52,000	30,174	38,800
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	86,627	52,000	85,083	38,800
Financial assets at fair value through the profit and loss				
Aust mortgaged backed securities	228	–	228	–
Bank Bills/Bonds	–	–	3,946	–
Total	228	–	4,174	–
Held to maturity investments				
Term deposits	49,000	–	26,000	–
FRN's	–	52,000	–	38,800
Total	49,000	52,000	26,000	38,800

Accounting policy for investments**Classification**

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(a) 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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments 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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	86,627	52,000	85,083	38,800
attributable to:				
External restrictions (refer below)	37,945	52,000	35,431	38,800
Internal restrictions (refer below)	21,964	–	21,105	–
Unrestricted	26,718	–	28,547	–
	86,627	52,000	85,083	38,800

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	45,619	37,809
Specific purpose unexpended grants	7,751	8,243
Domestic waste management	32,565	25,099
Stormwater management	3,297	2,372
Voluntary purchase reserve	713	708

External restrictions – other	89,945	74,231
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Total external restrictions	89,945	74,231
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Internal restrictions

Car park assets	6,752	5,617
Future capital works	1,124	1,198
Museum reserve	21	20
Property development	5,881	4,854
Sister city committee	105	105
SRV reserve	5,094	5,695
Sustainable resource centre plant reserve	884	1,339
Sustainable resource centre site development	66	66
Town funds	2,037	2,211

Total internal restrictions	21,964	21,105
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TOTAL RESTRICTIONS	111,909	95,336
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Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	4,239	–	3,869	–
Accrued revenues				
– Interest on investments	766	–	873	–
– Other income accruals	379	–	1,332	–
Net GST receivable	1,511	–	1,445	–
Other debtors	3,898	–	3,526	–
Total	10,793	–	11,045	–
Less: provision for impairment				
Rates and annual charges	(424)	–	(390)	–
Other debtors	(266)	–	(291)	–
Total provision for impairment – receivables	(690)	–	(681)	–
<u>TOTAL NET RECEIVABLES</u>	<u>10,103</u>	<u>–</u>	<u>10,364</u>	<u>–</u>

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	681	1,068
– previous impairment losses reversed	9	(387)
Balance at the end of the year	690	681

Accounting policy for receivables**Recognition and measurement**

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 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.

Impairment

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.

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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	487	–	512	–
Trading stock	93	–	80	–
Total inventories at cost	580	–	592	–
<u>TOTAL INVENTORIES</u>	<u>580</u>	<u>–</u>	<u>592</u>	<u>–</u>
(b) Other assets				
Prepayments	1,066	–	1,616	–
<u>TOTAL OTHER ASSETS</u>	<u>1,066</u>	<u>–</u>	<u>1,616</u>	<u>–</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	220	–
Total non-current assets 'held for sale'	–	–	220	–

\$ '000	Assets 'held for sale'	
	2018	2017
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance	220	933
Balance still unsold after 12 months:	220	933
Plus new transfers in:		
– Discontinued operations	(220)	–
– Sale/Balance	–	(713)
Closing balance of 'held for sale' non-current assets and operations	–	220

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(a). Infrastructure, property, plant and equipment

Asset class	as at 30 June 2017				Asset movements during the reporting period							as at 30 June 2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	W/P transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	36,692	–	36,692		25,596	12,814	–	–	(54,461)	–	–	20,641	–	20,641
Plant and equipment (MV, HV and MP)	31,757	16,566	15,191		–	3,434	(654)	(3,079)	–	–	–	32,905	18,013	14,892
Office equipment (OE, computer and others)	6,562	5,930	632		–	45	–	(342)	–	46	–	2,092	1,711	381
Furniture and fittings	362	320	42		–	45	–	(20)	–	–	–	407	340	67
Land:														
– Operational land	187,132	–	187,132		–	–	–	–	6,689	14,975	76,890	285,686	–	285,686
– Community land	428,634	–	428,634		–	–	–	–	1,020	(14,922)	–	414,732	–	414,732
– Land under roads (post 30/6/2008)	8,461	–	8,461		–	–	–	–	–	(53)	–	8,408	–	8,408
Infrastructure:														
– Buildings	306,572	135,747	170,825		–	–	(1,992)	(6,392)	7,390	35	46,471	330,073	113,736	216,337
– Park infrastructure (open space)	25,198	11,551	13,647		–	–	–	(1,206)	–	–	–	25,198	12,757	12,441
– Roads	472,877	95,577	377,300		–	–	–	(10,575)	16,813	394	–	490,089	106,157	383,932
– Bridges	47,093	7,273	39,820		–	–	–	(536)	77	–	–	47,169	7,808	39,361
– Footpaths	113,088	18,608	94,480		–	–	–	(1,936)	4,025	502	–	117,615	20,544	97,071
– Bulk earthworks (non-depreciable)	23,814	–	23,814		–	–	–	–	156	–	–	23,970	–	23,970
– Stormwater drainage	251,340	45,237	206,103		–	–	–	(1,711)	2,840	129	–	254,313	46,952	207,361
– Kerb and gutter	182,694	35,972	146,722		–	–	–	(2,303)	4,086	–	–	186,780	38,275	148,505
Other assets:														
– Library books	13,469	12,319	1,150		–	314	–	(107)	–	–	–	13,783	12,426	1,357
– Other	15,256	5,217	10,039		–	–	–	(804)	11,365	(1,060)	–	25,553	6,013	19,540
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,151,001	390,317	1,760,684		25,596	16,652	(2,646)	(29,011)	–	46	123,361	2,279,414	384,732	1,894,682

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Increases in the carrying amounts arising on revaluation are credited to the 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.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, over their estimated useful lives as follows:

Plant and equipment	Years	Transportation assets	Years
Office equipment	10	Bridge	10 to 100
Office furniture	10	Kerb & Gutter	80
Computer equipment	3	Footpaths	10 to 60
Vehicles	5		
Heavy plant/road making equipment	7		
Other plant and equipment	7		
Buildings		Stormwater assets	
Electricals	30	Drains	25 to 150
Hydraulics	60		
Mechanicals	30	Other infrastructure assets	
Roof	40	Park infrastructure assets	7 to 40
Structure	75 to 100		
Fitout	25		
Transportation assets		Other assets	
Road pavements	100	Library books	10
Road surface	30	Other assets	10 to 150
Road Furniture	20 to 25		
Traffic Facilities	20 to 80		
Car park pavement	100		
Car park surface	20 to 30		
Road Signs	20		

The assets' 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.

Land under roads

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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.

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 not recognise rural fire service assets including land, buildings, plant and vehicles.

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	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	10,929	5,474	5,455	9,011	3,924	5,087
Office equipment	17	10	7	17	8	9
Land						
– Operational land	9,865	–	9,865	3,950	–	3,950
Other assets	–	–	–	262	260	2
Total DWM	20,811	5,484	15,327	13,240	4,192	9,048
TOTAL RESTRICTED IPP&E	20,811	5,484	15,327	13,240	4,192	9,048

Note 10(c). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2018	2017
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 2018

Note 11. Investment property

\$ '000	2018	2017
(a) Investment property at fair value		
<u>Investment property on hand</u>	<u>13,874</u>	<u>13,835</u>
Reconciliation of annual movement:		
Opening balance	13,835	12,109
– Net gain/(loss) from fair value adjustments	–	1,726
– Other movements	39	–
CLOSING BALANCE – INVESTMENT PROPERTY	13,874	13,835

(b) Valuation basis

The basis of valuation of investment property 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.

Investment properties were last revalued on 30 June 2017 based on independent valuation performed by Scott Fullarton Valuations Pty Ltd FAPI CPP

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Amounts recognised in profit and loss for investment property

Rental income from investment property:		
– Minimum lease payments	820	1,041
Direct operating expenses on investment property:		
– that generated rental income	(134)	(61)
Net revenue contribution from investment property	686	980
plus:		
Fair value movement for year	–	1,726
Total income attributable to investment property	686	2,706

Accounting policy for investment property

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value	1,821	1,821
Accumulated amortisation	(1,651)	(1,651)
Net book value – opening balance	170	170
Movements for the year		
– Other capitalised costs	5,017	–
– Amortisation charges	(4,619)	–
Closing values:		
Gross book value	6,838	1,821
Accumulated amortisation	(6,270)	(1,651)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>568</u>	<u>170</u>

¹ The net book value of intangible assets represent:

– IT Development and Software Cost	6,838	1,821
– IT Development and Software Accumulated amortisation	(6,270)	(1,651)
	568	170

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs 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. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

IT development costs include only those costs 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.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	11,426	–	9,063	–
Accrued expenses:				
– Borrowings	–	–	1	–
– Salaries and wages	1,044	–	211	–
– Other expenditure accruals	306	–	1,621	–
Security bonds, deposits and retentions	7,433	–	7,310	–
Other	339	–	742	–
Total payables	20,548	–	18,948	–
Borrowings				
Loans – secured ¹	252	172	332	424
Total borrowings	252	172	332	424
TOTAL PAYABLES AND BORROWINGS	20,800	172	19,280	424

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,278	–	1,397	–
Payables and borrowings relating to externally restricted assets	1,278	–	1,397	–
Total payables and borrowings relating to restricted assets	1,278	–	1,397	–
Total payables and borrowings relating to unrestricted assets	19,522	172	17,883	424
TOTAL PAYABLES AND BORROWINGS	20,800	172	19,280	424

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 20.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

\$ '000	2018	2017
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(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	6,244	6,140
	6,244	6,140

(c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
		Cash flows	Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	756	(332)	–	–	–	424
TOTAL	756	(332)	–	–	–	424

\$ '000	2018	2017
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(d) Financing arrangements**(i) Unrestricted access was available at reporting date to the following facilities:**

Bank overdraft facilities ⁽¹⁾	1,500	1,500
Credit cards/purchase cards	500	500
Total financing arrangements	2,000	2,000

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,500	1,500
– Credit cards/purchase cards	500	500
Total undrawn financing arrangements	2,000	2,000

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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.

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.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 14. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	5,851	–	5,874	–
Sick leave	705	–	948	–
Long service leave	10,964	918	11,936	879
Sub-total – aggregate employee benefits	17,520	918	18,758	879
Other provisions:				
Self insurance – workers compensation	717	1,834	1,069	1,877
Self insurance – public liability	241	364	349	261
Sub-total – other provisions	958	2,198	1,418	2,138
<u>TOTAL PROVISIONS</u>	<u>18,478</u>	<u>3,116</u>	<u>20,176</u>	<u>3,017</u>

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	10,335	11,734
	10,335	11,734

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	5,874	948	12,815	19,637
Additional provisions	4,360	36	2,024	6,420
Amounts used (payments)	(4,269)	(266)	(2,722)	(7,257)
Remeasurement effects	(114)	(14)	(235)	(363)
Total ELE provisions at end of year	5,851	705	11,882	18,438

2017	ELE provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	5,777	1,052	13,628	20,457
Additional provisions	4,349	48	2,257	6,654
Amounts used (payments)	(4,156)	(133)	(2,824)	(7,113)
Remeasurement effects	(96)	(19)	(246)	(361)
Total ELE provisions at end of year	5,874	948	12,815	19,637

2018	Other provisions	
	Self-insurance	Total
At beginning of year	3,556	3,556
Changes to provision:		
Amounts used (payments)	(400)	(400)
Total other provisions at end of year	3,156	3,156

2017	Other provisions	
	Self-insurance	Total
At beginning of year	4,485	4,485
Changes to provision:		
Amounts used (payments)	(929)	(929)
Total other provisions at end of year	3,556	3,556

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Self-insurance

To recognise liabilities for outstanding claims (uninsured losses) arising from Council's decision to undertake self-insurance for certain risks faced.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

Consideration is given to expected future wage and salary levels, 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.

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. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Note 15. Revaluation Reserves

Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	37,399	54,909
Balance as per the Statement of Cash Flows		37,399	54,909
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		25,656	41,551
Adjust for non-cash items:			
Depreciation and amortisation		29,071	30,679
Net losses/(gains) on disposal of assets		1,485	(1,256)
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’		(54)	(97)
– investment property		–	(1,726)
Share of net (profits) or losses of associates/joint ventures		(957)	(743)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		252	(1,252)
Increase/(decrease) in provision for doubtful debts		9	(387)
Decrease/(increase) in inventories		12	(54)
Decrease/(increase) in other assets		550	(406)
Increase/(decrease) in payables		2,363	524
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		(482)	682
Increase/(decrease) in other liabilities		(280)	(288)
Increase/(decrease) in employee leave entitlements		(1,199)	(820)
Increase/(decrease) in other provisions		(400)	(929)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		56,025	66,577

(c) 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 \$20,000.00

Note 17. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	957	743	6,949	6,399
Total	957	743	6,949	6,399

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	2018	2017
CivicRisk Mutual (UIP)	Joint venture	556	385
CivicRisk West (Westpool)	Joint venture	6,392	6,014
Total carrying amounts – material joint ventures		6,949	6,399

(b) Details

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

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
CivicRisk Mutual (UIP)	7%	6%	7%	6%	6%	6%
CivicRisk West (Westpool)	15%	16%	15%	16%	10%	10%

(d) Summarised financial information for joint ventures

	CivicRisk Mutual (UIP)		CivicRisk West (Westpool)	
	2018	2017	2018	2017
Statement of financial position				
Current assets				
Cash and cash equivalents	1,158	506	3,022	2,935
Other current assets	5,759	6,239	19,442	13,732
Non-current assets	5,989	5,889	41,740	47,434
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	2,690	2,890	6,111	5,008
Other current liabilities	299	423	720	688
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	1,448	2,830	15,612	20,429
Net assets	8,469	6,491	41,761	37,976

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Interests in other entities (continued)

\$ '000

Joint arrangements (continued)

(d) Summarised financial information for joint ventures (continued)

	CivicRisk Mutual (UIP)		CivicRisk West (Westpool)	
	2018	2017	2018	2017
Reconciliation of the carrying amount				
Opening net assets (1 July)	6,491	7,287	37,976	32,195
Profit/(loss) for the period	1,978	(796)	5,913	7,465
Other adjustments to equity	—	—	(2,128)	(1,684)
Closing net assets	8,469	6,491	41,761	37,976
Council's share of net assets (%)	6.6%	5.9%	15.3%	15.8%
Council's share of net assets (\$)	559	385	6,389	6,014
Statement of comprehensive income				
Income	9,425	8,302	6,076	7,066
Interest income	439	584	3,261	3,757
Interest expense	—	—	(17)	(17)
Other expenses	(7,886)	(9,682)	(3,407)	(3,341)
Profit/(loss) for period	1,978	(796)	5,913	7,465
Total comprehensive income	1,978	(796)	5,913	7,465
Share of income – Council (%)	8.6%	7.1%	13.3%	15.0%
Profit/(loss) – Council (\$)	170	(57)	786	1,121
Total comprehensive income – Council (\$)	170	(57)	786	1,121

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *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 joint venture 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.

All joint ventures have the same year end as the Council.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Commitments for expenditure

\$ '000	2018	2017
(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	9,276	1,562
Plant and equipment	6,360	864
Land	39	1,872
Other	11,199	11,160
Total commitments	26,874	15,458
These expenditures are payable as follows:		
Within the next year	26,874	15,458
Total payable	26,874	15,458
Sources for funding of capital commitments:		
Unrestricted general funds	10,762	5,675
Section 7.11 and 64 funds/reserves	–	33
Unexpended grants	–	4,537
Externally restricted reserves	3,028	–
Internally restricted reserves	11,984	4,851
New loans (to be raised)	995	–
Sect 94	10	–
Sect 94 A	95	362
Total sources of funding	26,874	15,458

Building - Council is committed to construct Multistory Carpark at Nelson Street & Additional carpark at Dutton St. Also upgrading Recycling Drop off centre, amenities, facilities at sporting fields & Construction of Bossley Park Preschool.

Plant and Equipment - Upgrade material recycling centre equipment, Filtration plant upgrade at Fairfield Leisure Centre, Construction and Maintenance Plants replacement, Parks and Open space plant replacement.

Other - Detention basins and floodway stabilisation works, Town Centres upgrade & improvements Renewal of signs in Community halls, Smithfield Road upgrade, Construction of Chipping Norton Lake Bradbury wharf.

(b) Operating lease commitments (non-cancellable)	2018	2017
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	622	816
Later than one year and not later than 5 years	690	862
Total non-cancellable operating lease commitments	1,312	1,678

The operating leases in place are for Desk top computers, Servers, printers and Gym equipment.

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

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

Conditions relating to operating leases:

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

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Fairfield City Council's share of the estimated deficit has been advised as \$2.064 million as at 30 June 2018.

(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 responsibilities 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 Council's contributions to the pool and the result of insurance claims within each of the Fund Years. 2017/18 Fairfield City Council's Claims Report as at 30 June 2018 total is \$604,000.

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 17.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(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.

State Insurance Regulatory Authority has reviewed Council's workers compensation claims liability based on actuarial report dated 30 June 2017 and advised the bank guarantee remains as \$2.839 million.

(iv) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June 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.

(v) StateCover Limited

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

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

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

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

(vi) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities (continued)

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30 June 2008.

(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.

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. (\$73,000 for 2017/18).

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.

(ii) Dutton Plaza Claim

Council 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 to 500k.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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.

Council held the following financial instruments at reporting date:

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	37,399	54,909	37,399	54,909
Investments				
– 'Held for trading'	228	4,174	228	4,174
– 'Held to maturity'	101,000	64,800	101,000	64,800
Receivables	10,103	10,364	10,103	10,364
Total financial assets	148,730	134,247	148,730	134,247
Financial liabilities				
Payables	20,548	18,948	20,548	18,948
Loans/advances	424	756	424	756
Total financial liabilities	20,972	19,704	20,972	19,704

Fair value is determined as follows:

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* (NSW) and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	23	23	(23)	(23)
Possible impact of a 1% movement in interest rates	1,362	1,362	(1,362)	(1,362)
2017				
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)

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	100%	73%
Overdue	0%	0%	0%	27%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges			2018	2017
Current			4,239	3,869
			4,239	3,869
Other receivables				
Current			4,675	5,205
0 – 30 days overdue			1,054	1,460
31 – 60 days overdue			495	194
61 – 90 days overdue			60	31
> 91 days overdue			270	286
			6,554	7,176

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables		7,433	13,115	–	–	20,548	20,548
Loans and advances	2.53%	–	252	172	–	424	424
Total financial liabilities		7,433	13,367	172	–	20,972	20,972
2017							
Trade/other payables		7,310	11,638	–	–	18,948	18,948
Loans and advances	4.79%	–	332	424	–	756	756
Total financial liabilities		7,310	11,970	424	–	19,704	19,704

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 23 May 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993 (NSW)* 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	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	108,426	109,157	731	1% F
User charges and fees	17,626	18,834	1,208	7% F
Interest and investment revenue	2,569	3,621	1,052	41% F
Increased investments gave favourable investment income return.				
Other revenues	19,851	23,001	3,150	16% F
Rental income from properties, Car Park Operations and lease terminations fees contributed to increased income.				
Operating grants and contributions	20,187	20,931	744	4% F
Capital grants and contributions	18,776	11,615	(7,161)	(38%) U
Smithfield Road upgrade projects was funded by RMS and delay in progress of this project contributed to shortfall in capital grant income.				
Joint ventures and associates - net profits	–	957	957	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 2018

Note 21. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	74,096	71,955	2,141	3%	F
Borrowing costs	20	20	–	0%	F
Materials and contracts	29,120	29,717	(597)	(2%)	U
Depreciation and amortisation	30,677	29,071	1,606	5%	F
Other expenses	32,807	30,212	2,595	8%	F
Net losses from disposal of assets	–	1,485	(1,485)	0%	U
Council has demolished some old assets which has reached its end of economic life and contributed to this loss.					

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

Cash flows from operating activities	59,442	56,025	(3,417)	(5.7%)	U
Cash flows from investing activities	(72,007)	(73,203)	(1,196)	1.7%	U
Cash flows from financing activities	(332)	(332)	–	0.0%	F

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. 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

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 Council 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:

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Held for trading’	–	228	–	228
– ‘Held for maturity’	101,000	–	–	101,000
Total financial assets	101,000	228	–	101,228
Investment property				
167 Meadows Road, Mount Pritchard NSW 2170	–	3,635	–	3,635
9 Walker Place, Wetherill Park NSW 2164	–	4,239	–	4,239
396 Victoria Street, Wetherill Park, NSW 2164	–	6,000	–	6,000
Total investment property	–	13,874	–	13,874
Infrastructure, property, plant and equipment				
Capital work in progress	–	–	20,641	20,641
Plant and equipment	–	–	14,892	14,892
Office equipment	–	–	381	381
Furniture and fittings	–	–	67	67
Operational land	–	284,056	–	285,686
Community land	–	–	416,362	414,732
Buildings Specialised	–	–	213,961	213,961
Buildings Non Specialised	–	2,376	–	2,376
Park infrastructure	–	–	12,441	12,441
Roads	–	–	383,932	383,932
Bridges	–	–	39,361	39,361
Footpaths	–	–	97,071	97,071
Stormwater drainage	–	–	207,361	207,361
Kerb and gutter	–	–	148,505	148,505
Library books	–	–	1,357	1,357
Other assets	–	–	19,540	19,540
Land under Roads	–	–	8,408	8,408
Bulk Earthworks	–	–	23,970	23,970
Total infrastructure, property, plant and equipment	–	286,432	1,608,250	1,894,682

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
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 property				
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 property	–	13,835	–	13,835
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

(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 2018

Note 22. 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 property

Council engages external, independent and qualified valuers to determine the fair value of its investment properties every three years. As at 30 June 2017 the valuation of the investment property portfolio was performed by Scott Fullarton FAPI CPP.

All investment property valuations are included in level 2 of the hierarchy. The value of investment property has determined using either the capitalisation of rental income method 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.

Infrastructure, property, plant and equipment (IPP&E)

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 (non-specialised) and level 3 (specialised). 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.

Infrastructure Assets

Valuations for infrastructure assets in level 3, other than specialised buildings, are performed internally by the Council's. The gross value of the infrastructure assets are determined by unit rate to total volume which is normally square internal engineering teammetres, 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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Fair value measurement (continued)

\$ '000

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

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

	IPP&E	Asset held for Sale	Total
Opening balance – 1/7/16	1,420,605	933	1,421,538
Purchases (GBV)	45,944	–	45,944
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	1,410,794	220	1,411,014
Purchases (GBV)	42,248	–	42,248
Disposals (WDV)	(2,646)	(220)	(2,866)
Depreciation and impairment	(291)	–	(291)
FV gains – other comprehensive income	121,387	–	121,387
FV gains – Income Statement	36,758	–	36,758
Closing balance – 30/6/18	1,608,250	–	1,608,250

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. 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.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
IPP&E			
Capital work in progress	20,641	Cost approach used to approximate fair value	Gross replacement cost
Plant and equipment	14,892	Cost approach used to approximate fair value	Gross replacement cost
Office equipment	381	Cost approach used to approximate fair value	Gross replacement cost
Furniture and fittings	67	Cost approach used to approximate fair value	Gross replacement cost
Operational land	284,056	Market based direct comparison	Land value, land area
Community land	416,362	NSW Valuer General land valuation	Land value, land area
Buildings Specialised	213,961	Cost approach used to approximate fair value	Gross replacement cost
Buildings Non Specialised	2,376	Market based direct comparison	Gross replacement cost
Park infrastructure	12,442	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Roads	382,649	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Bridges	39,361	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Footpaths	97,070	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Stormwater drainage	207,361	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Kerb and gutter	148,505	Unit rate per sq meter or length	Asset condition, remaining lives, residual value
Library books	1,357	Cost approach used to approximate fair value	Gross replacement cost
Other assets	19,542	Cost approach used to approximate fair value	Gross replacement cost
Land under Roads	8,408	NSW Valuer General land valuation	Land value, land area
Bulk Earthworks	23,970	Unit rate per sq meter or length	Asset condition, remaining lives, residual value

(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 2018

Note 23. Related party transactions

\$ '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.

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

	2018	2017
Compensation:		
Short-term benefits	2,584	2,783
Other long-term benefits	—	20
Total	2,584	2,803

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 23. Related party transactions (continued)

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

		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
2018						
Employee expenses relating to close family member of KMP	1	—	—	—	—	—
2017						
Employee expenses relating to close family member of KMP	1	Actual \$ 17,000	Actual \$ —	—	Actual \$ —	Actual \$ —

- 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 2018

Note 24. Events occurring after the reporting date

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

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)
	5,171	–	–	127	(40)	–	5,258	–
Drainage Roads	2	–	–	–	–	–	2	–
Traffic facilities	241	–	–	6	–	–	247	–
Parking	1,255	15	–	31	(3)	–	1,298	–
Open space	18,940	4,155	–	507	(4)	379	23,977	–
Community facilities	3,896	901	–	105	–	–	4,902	–
Concrete Path Paving	89	–	–	2	–	–	91	–
Administration	612	143	–	15	(80)	–	690	–
City Wide	200	71	–	5	–	–	276	–
S7.11 contributions – under a plan	30,406	5,285	–	798	(127)	379	36,741	–
S7.12 levies – under a plan	6,556	1,605	–	175	(326)	–	8,010	–
Total S7.11 and S7.12 revenue under plans	36,962	6,890	–	973	(453)	379	44,751	–
S64 contributions	847	–	–	21	–	–	868	–
Total contributions	37,809	6,890	–	994	(453)	379	45,619	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 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	478	–	–	12	(8)	–	482	–
– Wetherill Park	4,693	–	–	115	(32)	–	4,776	–
Total	5,171	–	–	127	(40)	–	5,258	–

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	–

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	241	–	–	6	–	–	247	–
Total	241	–	–	6	–	–	247	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

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	70	–	–	2	–	–	72	–
– Parking Fairfield	918	–	–	22	(3)	–	937	–
– Parking Canley Heights	267	15	–	7	–	–	289	–
Total	1,255	15	–	31	(3)	–	1,298	–

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	6,470	4	–	160	–	(55)	6,579	–
Total	6,470	4	–	160	–	(55)	6,579	–

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	7	–	–	–	–	–	7	–
– Bonnyrigg	19	–	–	–	–	–	19	–
– Cabramatta	6	–	–	1	–	–	7	–
– Fairfield	18	1	–	1	–	–	20	–
– Rural Park	16	–	–	–	–	–	16	–
Total	66	1	–	2	–	–	69	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 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	76	–	–	2	–	–	78	–
– Bonnyrigg	1	–	–	–	–	–	1	–
– Cabramatta	87	–	–	2	–	–	89	–
– Fairfield	814	–	–	20	–	–	834	–
– Wetherill Park	19	–	–	1	–	–	20	–
Total	997	–	–	25	–	–	1,022	–

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	89	–	–	2	–	–	91	–
Total	89	–	–	2	–	–	91	–

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	190	–	–	3	(80)	–	113	–
Total	190	–	–	3	(80)	–	113	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN
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	200	71	–	5	–	–	276	–
Total	200	71	–	5	–	–	276	–

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	39	12	–	1	–	–	52	–
– Fairfield/Canley Heights	547	167	–	15	–	–	729	–
Total	586	179	–	16	–	–	781	–

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	405	165	–	11	–	–	581	–
– Fairfield Heights	495	153	–	14	–	–	662	–
– Villawood	342	78	–	9	–	–	429	–
– Canley Heights	235	69	–	7	–	–	311	–
– Cabramatta	352	144	–	10	–	–	506	–
– Prairewood	484	113	–	13	–	–	610	–
Total	2,313	722	–	64	–	–	3,099	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN
CONTRIBUTION PLAN 2011 Land Acquisition

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	2,270	795	–	63	–	–	3,128	–
– Fairfield	3,516	1,190	–	98	–	–	4,804	–
– Western LGA	3,310	1,186	–	93	–	–	4,589	–
– Western LGA	1,369	321	–	35	–	–	1,725	–
Total	10,465	3,492	–	289	–	–	14,246	–

CONTRIBUTION PLAN 2011 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					
– Cabramatta	352	120	–	10	–	–	482	–
– Fairfield	562	197	–	16	–	–	775	–
– Villawood	252	56	–	8	(4)	434	746	–
– Western LGA	773	285	–	22	–	–	1,080	–
Total	1,939	658	–	56	(4)	434	3,083	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 25. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN
CONTRIBUTION PLAN 2011 Administration

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	422	143	–	12	–	–	577	–
Total	422	143	–	12	–	–	577	–

S7.12 LEVIES – UNDER A PLAN
CONTRIBUTION PLAN NUMBER 2011

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					
– Section 94A Levy Contributions	6,556	1,605	–	175	(326)	–	8,010	–
Total	6,556	1,605	–	175	(326)	–	8,010	–

S7.4 planning agreements
Bonnyrigg Living Community Communities

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 Living Community Cont	847	–	–	21	–	–	868	–
Total	847	–	–	21	–	–	868	–

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	14,515	8.27%	11.37%	7.96%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	175,490				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	154,559	82.61%	77.03%	76.13%	> 60.00%
Total continuing operating revenue ⁽¹⁾	187,105				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	60,431	2.82x	3.09x	2.62x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	21,421				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	43,606	123.88x	146.26x	115.02x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	352				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,815	3.37%	3.15%	3.07%	< 5% metro
Rates, annual and extra charges collectible	113,215				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	37,399	3.15 mths	4.9 mths	3.2 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	11,875				

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 Notes 13 and 14.

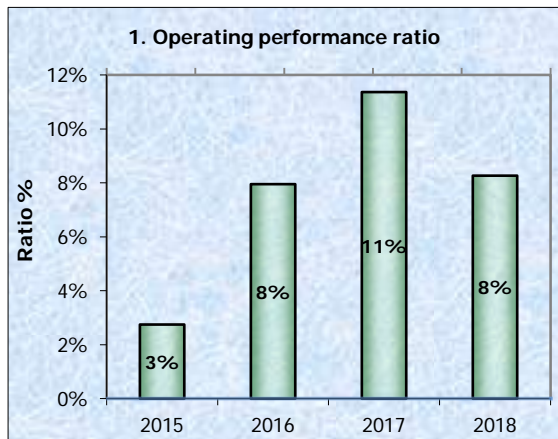
⁽⁴⁾ Refer to Note 13(b) and 14(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

END OF AUDITED FINANCIAL STATEMENTS

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of operating performance ratio

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

Commentary on 2017/18 result

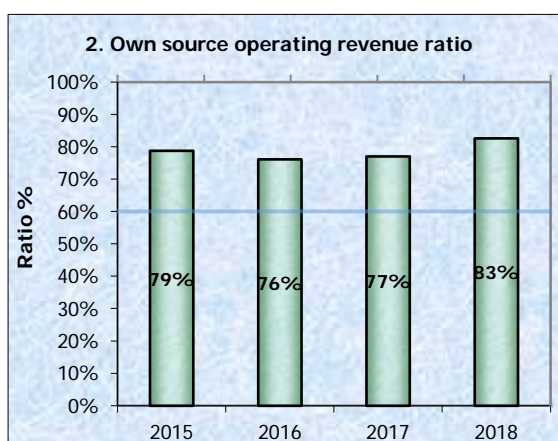
2017/18 ratio 8.27%

Rental income from council's properties and interest from investments have contributed to increased income. Also reduction in depreciation and other expenses gave a favourable operating performance ratio of 8.88%. The Benchmark set by Local Government Code of Accounting Practice and Financial Reporting 26 is 0.00.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of own source operating revenue ratio

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

Commentary on 2017/18 result

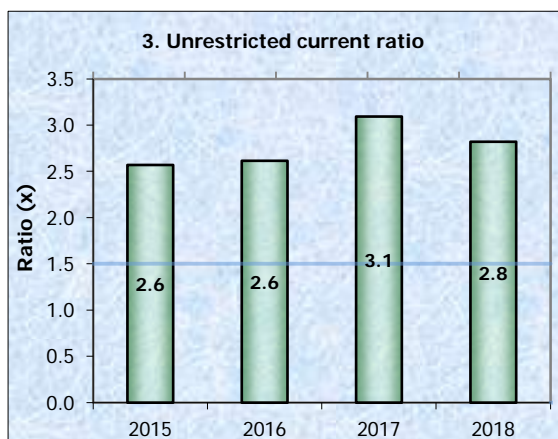
2017/18 ratio 82.61%

Council consistently maintain this ratio well above the benchmark set by Local Government Code of Accounting Practice and Financial Reporting 26 which is 60%. It proves that the council has a great reliance on own source of funding for its operations. For the last four years this ratio is in the region of 80%.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of unrestricted current ratio

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

Commentary on 2017/18 result

2017/18 ratio 2.82x

Council's unrestricted current ratio is 2.8 compared to benchmark set by Local Government Code of Accounting Practice and Financial Reporting 26 of 1.5. Council maintains this ratio well above the benchmark and has sufficient liquid funds to meet its obligation.



Ratio achieves benchmark

Ratio is outside benchmark

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26(b). Statement of performance measures – consolidated results (graphs)

<p>4. Debt service cover ratio</p> <p>Benchmark: — Minimum ≥ 2.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of debt service cover ratio</p> <p>This ratio measures the availability of operating cash to service debt including interest, principal and lease payments</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 123.88x</p> <p>Council's debt service ratio is in strong position. Council has very minimal debt and has sufficient fund to meet its obligations.</p>
<p>5. Rates, annual charges, interest and extra charges outstanding percentage</p> <p>Benchmark: — Maximum $< 5.00\%$</p> <p>Source for Benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of rates and annual charges outstanding ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.37%</p> <p>Outstanding rates, charges and fees are 3% which is within benchmark set by Local Government Code of Accounting Practice and Financial Reporting 26 of 5%. Council consistently maintains this ratio at 3% which shows that debt management processes are working well.</p>
<p>6. Cash expense cover ratio</p> <p>Benchmark: — Minimum ≥ 3.00</p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of cash expense cover ratio</p> <p>This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 ratio 3.15 mths</p> <p>Council's cash expense cover ratio is 3.15 months compared to benchmark set by Local Government Code of Accounting Practice and Financial Reporting 26 of 3 months. This shows that council could meet its expense payments without additional cashflow.</p>

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 27. 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

Lachlan Gunn

PUBLIC OFFICER

Brad Cutts

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
Sydney, NSW 2000

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 report

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

I have audited the accompanying financial report of Fairfield City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' section of my report.

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Renee Meimaroglou
Director

19 October 2018
SYDNEY

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

Contact: Renee Meimaroglou
Phone no: 02 9275 7389
Our ref: D1824414/1723

19 October 2018

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2018 Fairfield City Council





I have audited the general purpose financial statements of Fairfield City Council (the Council) for the year ended 30 June 2018 as required by section 415 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 2018 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

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	109.2	106.5	 2.5
Grants and contributions revenue	32.5	43.9	 26.0
Operating result for the year	25.7	41.5	 38.1
Net operating result before capital amounts	14.0	23.5	 40.0

Council's operating result (\$25.7 million including the effect of depreciation and amortisation expense of \$29.0 million) was \$15.8 million lower than the 2016–17 result. This is mainly due to a decrease of \$11.3 million in grants and contributions, an increase of \$4.6 million in employee benefits and on-costs and an increase of \$5.5 million in materials and contracts expense.

The net operating result before capital grants and contributions (\$14 million) was \$9.5 million lower than the 2016–17 result. This is mainly due to an increase of \$4.6 million in employee benefits and on-costs and an increase of \$5.5 million in materials and contracts expense.

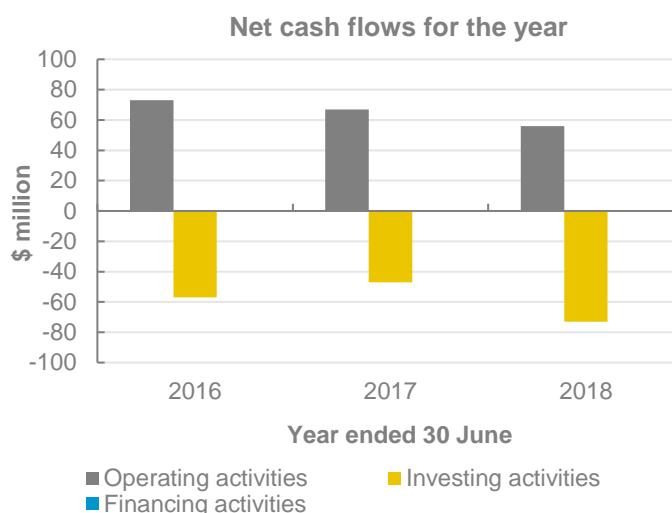
Rates and annual charges revenue (\$109.2 million) increased by \$2.7 million (2.5 per cent) in 2017–2018. This increase is due to Council receiving a 1.5 per cent rate peg increase during the year.

Grants and contributions revenue (\$32.5 million) decreased by \$11.4 million (26.0 per cent) in 2017–2018 due to:

- \$14.4 million financial assistance grants received in 2016–17 compared to \$8.9 million in 2017–18. The 2016–17 financial year included a full year grant and a portion of upfront for 2017–18 whereas 2017–18 included the balance of 2017–18 grants and a portion of upfront for 2018–19.
- capital funding received from RMS (\$2.5 million) decreased by \$1.8 million (43.2 per cent). In 2016–17, Council completed works on the Cumberland Highway and Wetherill Street which were funded by RMS
- section 94 capital contributions (\$6.8 million) decreased by \$2.8 million (29.2 per cent). In 2016–17, the Council received several large DA applications.

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 decreased from \$54.9 million in 2016–17 to \$37.4 million at 30 June 2018.



Operating activities contributed net cash inflow of \$56 million (2017: \$66.6 million). The decrease as explained earlier is mainly due to lower grants and contributions in addition to higher employee costs and materials and contracts expenses. Cash outflows from investing activities were higher in 2017–18 mainly due to Council purchasing \$32.2 million in investment securities (\$4 million in 2016–17). As a result investments increased during the current financial year to \$101 million (2017: \$69 million).

FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	89.9	74.2	Cash and investments amounted to \$138.6 million at 30 June 2018 (2017: \$123.8 million). The increase is mainly due to the Council's surplus for the year of \$25.7 million.
Internal restrictions	22.0	21.1	
Unrestricted	26.7	28.5	
Cash and investments	138.6	123.8	

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 \$22.0 million and their purpose is fully disclosed in Note 6 of the financial statements.

The Council's unrestricted cash and investments amounted to \$26.7 million, which is available to provide liquidity for day to day operations.

Debt

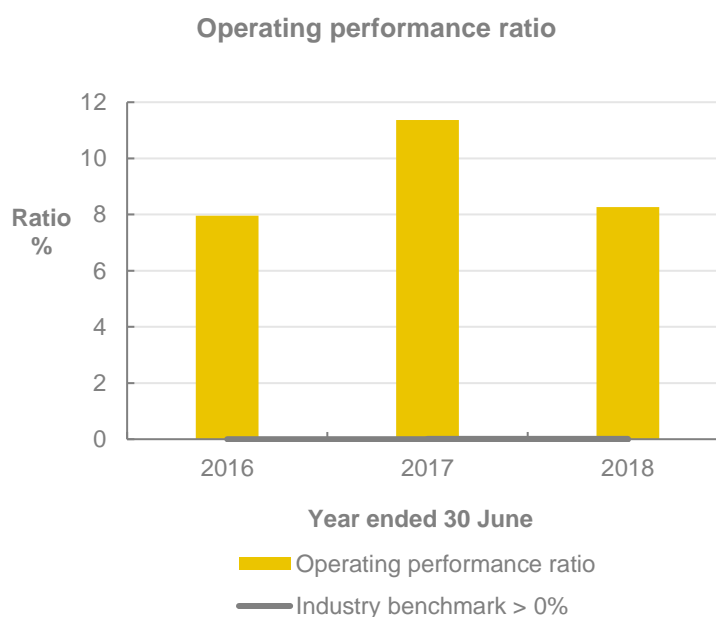
After repaying principal and interest of \$332,000 during the financial year, total debt as at 30 June 2018 was \$424,000 (2017: \$756,000).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 26 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which is not audited.

Operating performance ratio

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

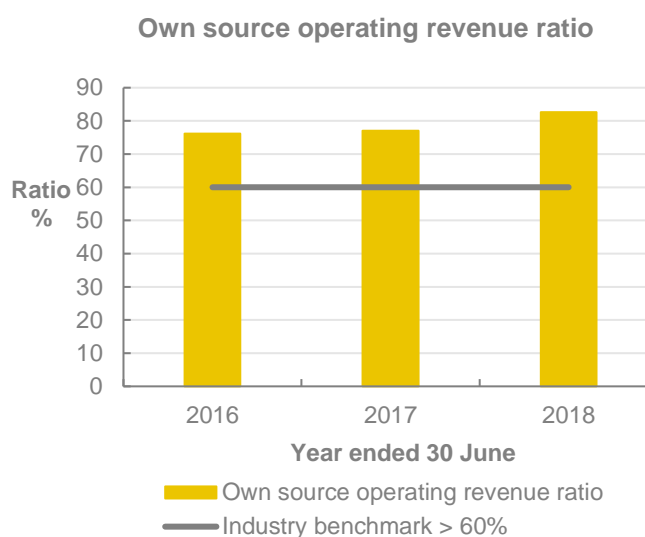


Council's operating performance indicator of 8.3 per cent (2017: 11.4 per cent) exceeded the benchmark due to a positive operating result before capital grants and contributions. The operating result before capital grants and contributions was \$14.1 million, decreasing by \$9.5 million from the

previous year (40.2 per cent), which explains the lower ratio in 2018. Reasons explaining the lower operating result were discussed earlier in this report.

Own source operating revenue ratio

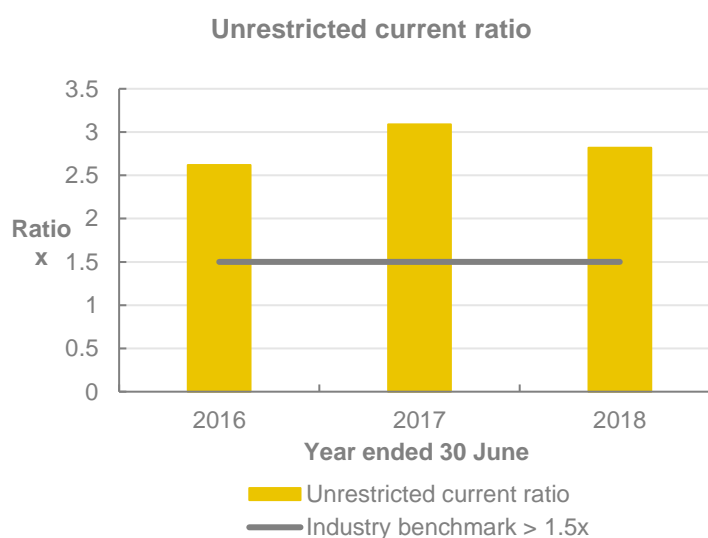
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio was 82.6 per cent in 2017–18 (2017: 77.0 per cent), exceeding the benchmark of 60 per cent.

Unrestricted current ratio

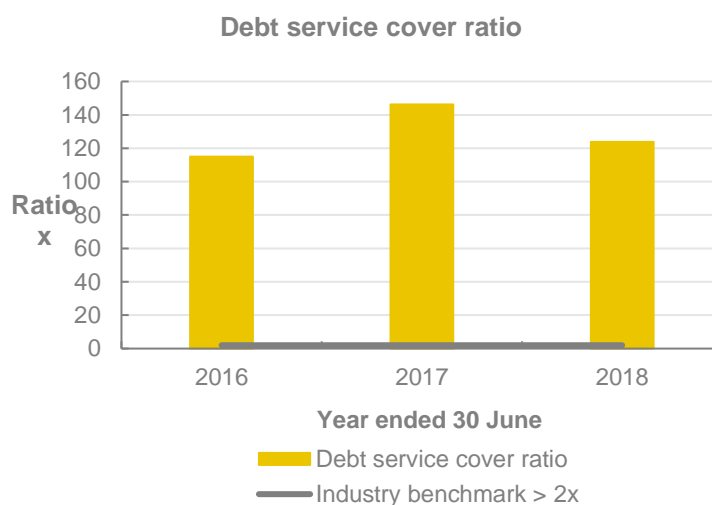
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Council's unrestricted current ratio slightly decreased to 2.8 as at 30 June 2018 (2017: 3.1) and exceeded the benchmark of 1.5 times.

Debt service cover ratio

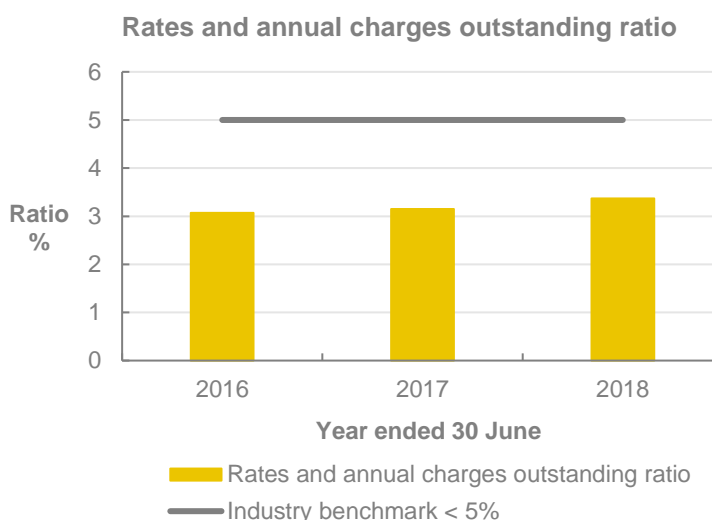
The 'debt service cover ratio' measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



The debt service cover ratio for the Council as at 30 June 2018 was 123.9 (2017: 146.3). This decrease is mainly due to Council's decrease in operating result before capital grants, depreciation, impairment and amortisation of \$11.1 million.

Rates and annual charges outstanding ratio

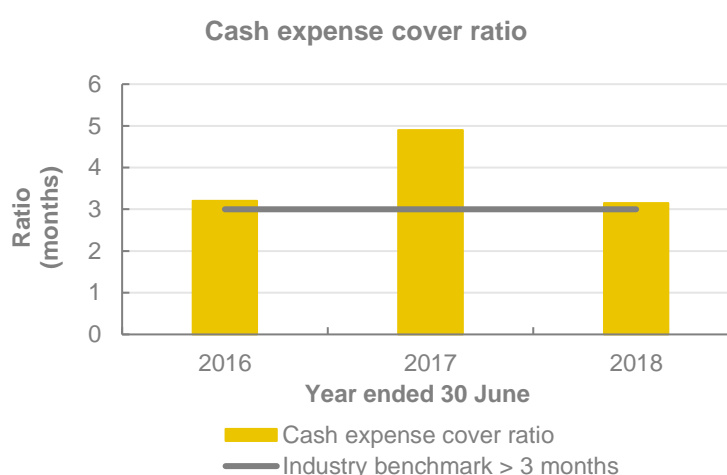
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



The rates and annual charges outstanding ratio was 3.4 per cent at 30 June 2018 (2017: 3.2 per cent) and continues to be 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.

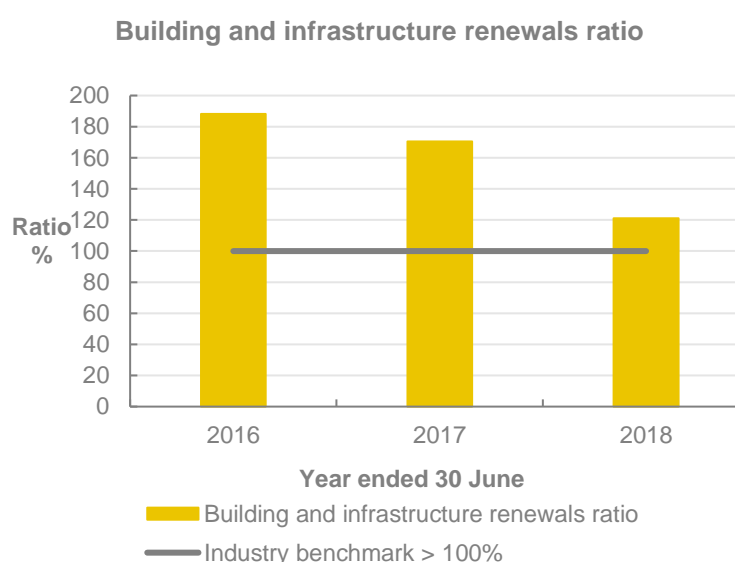


Council's cash expense cover ratio was 3.2 months (2017: 4.9 months) and exceeds the benchmark of three months.

Building and infrastructure renewals ratio (unaudited)

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 Council's Special Schedule 7 which has not been audited.



Special Schedule No. 7 disclosed infrastructure renewals for 2018 represented 121.0 per cent (2017: 170.4 per cent), exceeding the benchmark of 100 per cent.

OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 16 (b).

Council entities

The Council holds an interest in the following entities which are considered joint ventures:

- CivicRisk Mutual (UIP)
- CivicRisk West (Westpool)

Alternate external audit arrangements are in place for the above entities. I have obtained sufficient appropriate audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in these entities.

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, operational land and buildings were revalued. This resulted in a net increase of \$123.4 million recognised in the Infrastructure, Property, Plant and Equipment Reserve and disclosed in the Statement of Changes in Equity.

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

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

Fairfield City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

"...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."



Fairfield City Council

Special Schedules for the year ended 30 June 2018

Contents

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Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	4
Special Schedule 2	Independent Auditors Report	5
Special Schedule 7	Report on Infrastructure Assets	6

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,427	1	–	(1,426)
Administration	43,034	4,525	–	(38,509)
Public order and safety				
Fire service levy, fire protection, emergency services	3,149	75	–	(3,074)
Beach control	–	–	–	–
Enforcement of local government regulations	4,333	7,236	–	2,903
Animal control	350	171	–	(179)
Other	–	–	–	–
Total public order and safety	7,832	7,482	–	(350)
Health	917	442	–	(475)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	887	241	–	(646)
Solid waste management	23,792	30,115	–	6,323
Street cleaning	3,667	73	–	(3,594)
Drainage	3,812	1,805	1,738	(269)
Stormwater management	–	–	–	–
Total environment	32,158	32,234	1,738	1,814
Community services and education				
Administration and education	1,340	20	–	(1,320)
Social protection (welfare)	993	32	–	(961)
Aged persons and disabled	286	80	–	(206)
Children's services	11,325	10,984	–	(341)
Total community services and education	13,944	11,116	–	(2,828)
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	16	–	–	(16)
Street lighting	2,971	949	–	(2,022)
Town planning	3,354	1,410	–	(1,944)
Other community amenities	(25)	–	–	25
Total housing and community amenities	6,316	2,359	–	(3,957)

Fairfield City Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	7,161	648	—	(6,513)
Museums	742	143	—	(599)
Art galleries	138	4	—	(134)
Community centres and halls	585	1,661	—	1,076
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	408	20	—	(388)
Sporting grounds and venues	620	486	102	(32)
Swimming pools	9,821	4,297	—	(5,524)
Parks and gardens (lakes)	3,683	181	971	(2,531)
Other sport and recreation	2,520	4,224	4,350	6,054
Total recreation and culture	25,678	11,664	5,423	(8,591)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	1,365	575	—	(790)
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	1,365	575	—	(790)
Transport and communication				
Urban roads (UR) – local	1,807	1,498	4,345	4,036
Urban roads – regional	2,303	—	—	(2,303)
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	10,288	—	—	(10,288)
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	1	—	—	(1)
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	2,907	2,945	15	53
Footpaths	2,853	165	—	(2,688)
Aerodromes	—	—	—	—
Other transport and communication	345	—	—	(345)
Total transport and communication	20,504	4,608	4,360	(11,536)
Economic affairs				
Camping areas and caravan parks	754	340	94	(320)
Other economic affairs	8,532	8,839	—	307
Total economic affairs	9,286	9,179	94	(13)
Totals – functions	162,461	84,185	11,615	(66,661)
General purpose revenues ⁽¹⁾		91,360		91,360
Share of interests – joint ventures and associates using the equity method	—	957		957
NET OPERATING RESULT ⁽²⁾	162,461	176,502	11,615	25,656

(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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	80,163	78,855
Plus or minus adjustments ⁽²⁾	b	538	115
Notional general income	$c = (a + b)$	80,701	78,970
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	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	$h = d \times (c - g)$	—	—
Or plus rate peg amount	$i = c \times e$	1,856	1,185
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
Sub-total	$k = (c + g + h + i + j)$	82,558	80,155
Plus (or minus) last year's carry forward total	l	(0)	—
Less valuation objections claimed in the previous year	m	(8)	—
Sub-total	$n = (l + m)$	(8)	—
Total permissible income	$o = k + n$	82,550	80,155
Less notional general income yield	p	82,550	80,163
Catch-up or (excess) result	$q = o - p$	(0)	(8)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	8
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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Fairfield City Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter – Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

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

Renee Meimaroglou
Director, Financial Audit Services

19 October 2018
SYDNEY

Fairfield City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'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	2017/18 Required maintenance ^a	2017/18 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	4,827	6,601	9,770	11,197	216,337	330,034	21%	17%	60%	1%	1%
	Sub-total	4,827	6,601	9,770	11,197	216,337	330,034	21.0%	17.0%	60.0%	1.0%	1.0%
Other structures	Other structures	–	–	–	–	12,441	–	0%	0%	0%	0%	0%
	Sub-total	–	–	–	–	12,441	–	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed roads	7,541	7,541	15,571	17,900	382,649	490,637	43%	33%	22%	2%	0%
	Bridges	24	24	247	92	39,361	47,169	58%	37%	5%	0%	0%
	Footpaths	1,410	1,410	2,699	3,747	97,070	117,620	48%	32%	18%	2%	0%
	Other road assets	2,870	2,870	2,302	3,869	23,970	186,780	43%	33%	22%	2%	0%
	Sub-total	11,845	11,845	20,819	25,608	544,334	842,206	44.5%	33.1%	20.5%	1.9%	0.0%

Fairfield City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	402	402	1,089	1,391	207,361	254,957	35%	57%	7%	1%	0%
	Sub-total	402	402	1,089	1,391	207,361	254,957	35.0%	57.0%	7.0%	1.0%	0.0%
Open space/recreational assets												
	Park Infrastructure Assets	1,835	1,835	2,938	4,176	19,542	25,198	30%	30%	34%	2%	4%
	Sub-total	1,835	1,835	2,938	4,176	19,542	25,198	30.0%	30.0%	34.0%	2.0%	4.0%
	TOTAL – ALL ASSETS	18,909	20,683	34,616	42,372	1,000,015	1,452,395	37.3%	33.6%	27.3%	1.5%	0.3%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
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 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	25,596	121.02%	170.47%	188.14%	>= 100%
Depreciation, amortisation and impairment	21,150				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	18,909	1.93%	1.94%	1.88%	< 2.00%
Net carrying amount of infrastructure assets	980,473				
3. Asset maintenance ratio					
Actual asset maintenance	42,372	122.41%	100.81%	108.21%	> 100%
Required asset maintenance	34,616				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	20,683	1.42%	1.39%		
Gross replacement cost	1,452,395				

Notes

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

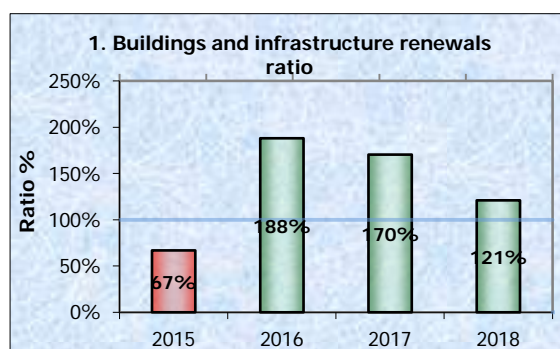
⁽¹⁾ Excludes Work In Progress (WIP)

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

Fairfield City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2018



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset renewals ratio

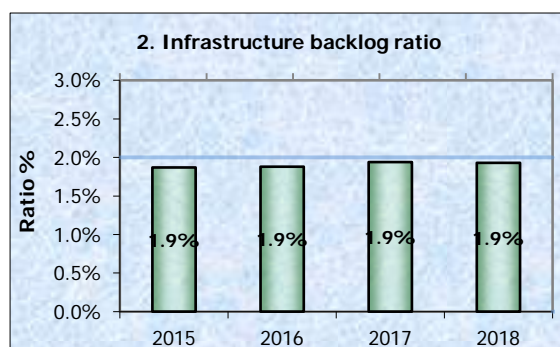
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result

2017/18 Ratio 121.02%

Council's infrastructure renewals ratio is 1.21 which is higher than Tcorp benchmark of 1. This means the council is funding sufficiently to renew its assets and keep them at satisfactory service level.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of infrastructure backlog ratio

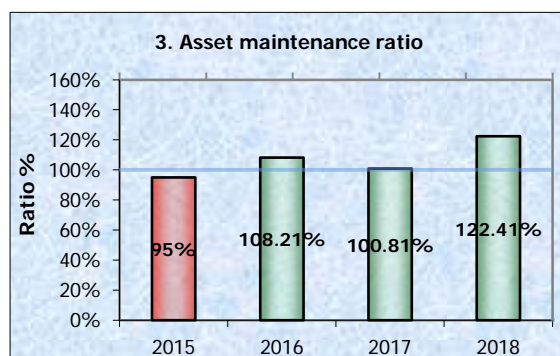
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result

2017/18 Ratio 1.93%

Council's infrastructure backlog ratio is 1.93% which is lower than Tcorp benchmark of 2%. This means the council has no major backlog of renewals on infrastructure assets and indicates that assets are renewed progressively.

Ratio achieves benchmark
Ratio is outside benchmark



Benchmark: — Minimum $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of asset maintenance ratio

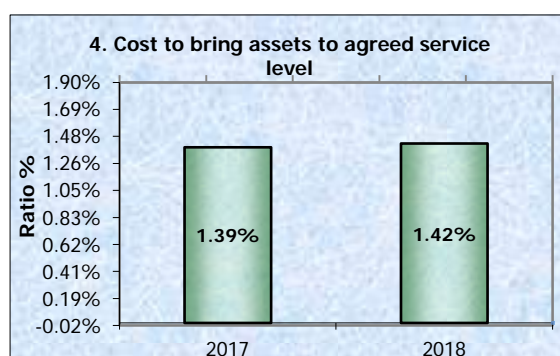
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result

2017/18 Ratio 122.41%

Council's asset maintenance ratio is 122.4% which is higher than Tcorp benchmark of 100%. This means council is funding adequately in asset maintenance to minimise the infrastructure maintenance backlog.

Ratio achieves benchmark
Ratio is outside benchmark



Purpose of agreed service level ratio

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

Commentary on 2017/18 result

2017/18 Ratio 1.42%

Council which agreed service level ratio is 1.42% is lower than Tcorp benchmark of 3%. This means council is adequately funded to maintain the assets to provide agreed service level to the community.

Fairfield City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"...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."



Fairfield City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	10

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 2018

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 16 October 2018.



Frank Carbone
Mayor
16 October 2018



Sera Yilmaz
Councillor
16 October 2018



Alan Young
General Manager
16 October 2018



Lachlan Gunn
Responsible Accounting Officer
16 October 2018

Fairfield City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Sustainable
Resource Centre
Category 1

\$ '000	2018	2017
Income from continuing operations		
User charges	10,971	11,223
Profit from the sale of assets	75	65
Other income	–	48
Total income from continuing operations	11,046	11,336
Expenses from continuing operations		
Employee benefits and on-costs	1,278	1,211
Materials and contracts	7,834	7,964
Depreciation, amortisation and impairment	329	326
Internal recharges	(234)	(1,164)
Total expenses from continuing operations	9,207	8,337
Surplus (deficit) from continuing operations before capital amounts	1,839	2,999
Surplus (deficit) from continuing operations after capital amounts	1,839	2,999
Surplus (deficit) from all operations before tax	1,839	2,999
Less: corporate taxation equivalent (30%) [based on result before capital]	(552)	(900)
SURPLUS (DEFICIT) AFTER TAX	1,287	2,099
Plus opening retained profits	9,079	6,080
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	552	900
Closing retained profits	10,918	9,079
Return on capital %	17.4%	31.8%

Fairfield City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Sustainable Resource Centre Category 1	
\$ '000	2018	2017
ASSETS		
Current assets		
Investments	4,296	3,827
Receivables	1,940	2,044
Inventories	23	21
Total Current Assets	6,259	5,892
Non-current assets		
Infrastructure, property, plant and equipment	11,391	9,432
Total non-current assets	11,391	9,432
TOTAL ASSETS	17,650	15,324
LIABILITIES		
Current liabilities		
Payables	422	392
Total current liabilities	422	392
Non-current liabilities		
Nil		
TOTAL LIABILITIES	422	392
NET ASSETS	17,228	14,932
EQUITY		
Accumulated surplus	10,918	9,079
Revaluation reserves	6,310	5,853
TOTAL EQUITY	17,228	14,932

Fairfield City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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 2018

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.

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

Sustainable Resource Centre

Facility for recycling used road materials

Fairfield City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Category 2

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

Nil

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):

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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.

Fairfield City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

Fairfield City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Fairfield City Council

To the Councillors of the Fairfield City Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Fairfield City Council's (the Council) Declared Business Activity, which comprise the Income Statement of the Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of the Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activity declared by Council, and the Statement by Councillors and Management.

The Declared Business Activity of the Council is:

- Sustainable Resource Centre.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activity as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: 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 report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Renee Meimaroglou
Director, Financial Audit Services

19 October 2018
SYDNEY

