

# Fairfield City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

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*"...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 2016

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### Overview

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

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

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

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

(iv) These financial statements were authorised for issue by the Council on 25 October 2016. Council has the power to amend and reissue these financial statements.

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## Fairfield City Council

### General Purpose Financial Statements for the year ended 30 June 2016

#### Understanding Council's financial statements

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##### Introduction

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

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

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

##### About the Councillor/Management Statement

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

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

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

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

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

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('net wealth').

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

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

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

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

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

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

##### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise in local government). In NSW, the auditor provides 2 audit reports:

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

##### Who uses the financial statements?

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

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

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

##### More information

A review of Council's financial performance and position for the 2015/16 financial year can be found at Note 28 of the financial statements.

# Fairfield City Council

## General Purpose Financial Statements

for the year ended 30 June 2016

### Statement by Councillors and Management

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

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

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

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

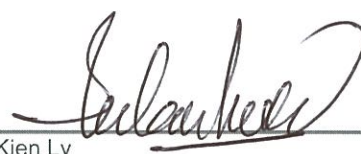
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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

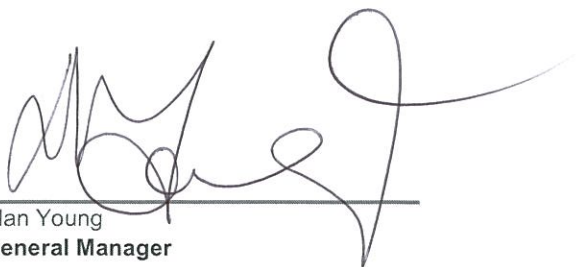
**Signed in accordance with a resolution of Council made on 25 October 2016.**



Frank Carbone  
Mayor



Kien Ly  
Councillor



Alan Young  
General Manager



Bradley Cutts  
Responsible accounting officer

## Fairfield City Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
103,758	Rates and annual charges	3a	103,729	99,572
16,708	User charges and fees	3b	17,586	16,873
3,086	Interest and investment revenue	3c	3,210	3,399
13,992	Other revenues	3d	19,519	14,559
19,353	Grants and contributions provided for operating purposes	3e,f	20,275	20,836
20,374	Grants and contributions provided for capital purposes	3e,f	24,787	15,279
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	6,240	1,733
–	Net share of interests in joint ventures and associates using the equity method	19	641	222
<b>177,271</b>	<b>Total income from continuing operations</b>		<b>195,987</b>	<b>172,473</b>
<b>Expenses from continuing operations</b>				
68,207	Employee benefits and on-costs	4a	67,163	67,811
57	Borrowing costs	4b	49	61
24,140	Materials and contracts	4c	23,607	22,285
30,415	Depreciation and amortisation	4d	28,544	30,118
–	Impairment	4d	–	–
30,885	Other expenses	4e	31,569	30,340
<b>153,704</b>	<b>Total expenses from continuing operations</b>		<b>150,932</b>	<b>150,615</b>
<b>23,567</b>	<b>Operating result from continuing operations</b>		<b>45,055</b>	<b>21,858</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>23,567</b>	<b>Net operating result for the year</b>		<b>45,055</b>	<b>21,858</b>
23,567	Net operating result attributable to Council		45,055	21,858
–	Net operating result attributable to non-controlling interests		–	–
<b>3,193</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>20,268</b>	<b>6,579</b>

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

## Fairfield City Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>45,055</b>	<b>21,858</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b(ii)	99,944	–
Adjustment to correct prior period errors		3,334	(89,949)
Asset recognition	20a&b(ii)	4,832	15,311
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>108,110</b>	<b>(74,638)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>108,110</b>	<b>(74,638)</b>
<b>Total comprehensive income for the year</b>		<b>153,165</b>	<b>(52,780)</b>
<b>Total comprehensive income attributable to Council</b>		<b>153,165</b>	<b>(52,780)</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Fairfield City Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	35,619	20,522
Investments	6b	32,077	36,181
Receivables	7	7,671	10,014
Inventories	8	538	481
Other	8	1,210	1,010
Non-current assets classified as 'held for sale'	22	933	–
<b>Total current assets</b>		<b>78,048</b>	<b>68,208</b>
<b>Non-current assets</b>			
Investments	6b	32,800	20,000
Receivables	7	1,054	1,010
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	1,756,876	1,623,325
Investments accounted for using the equity method	19	5,656	5,015
Investment property	14	12,109	11,953
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>1,808,495</b>	<b>1,661,303</b>
<b>TOTAL ASSETS</b>		<b>1,886,543</b>	<b>1,729,511</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	18,031	15,509
Borrowings	10	322	313
Provisions	10	5,763	5,302
<b>Total current liabilities</b>		<b>24,116</b>	<b>21,124</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	756	1,078
Provisions	10	19,179	17,982
<b>Total non-current liabilities</b>		<b>19,935</b>	<b>19,060</b>
<b>TOTAL LIABILITIES</b>		<b>44,051</b>	<b>40,184</b>
<b>Net assets</b>		<b>1,842,492</b>	<b>1,689,327</b>
<b>EQUITY</b>			
Retained earnings	20	750,640	687,601
Revaluation reserves	20	1,091,852	1,001,726
<b>Council equity interest</b>		<b>1,842,492</b>	<b>1,689,327</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>1,842,492</b>	<b>1,689,327</b>

## Fairfield City Council

## Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		687,601	1,001,726	1,689,327	–	1,689,327
a. Correction of prior period errors	20(c)	3,334	–	3,334	–	3,334
b. Changes in accounting policies (prior year effects)	20(d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>690,935</b>	<b>1,001,726</b>	<b>1,692,661</b>	<b>–</b>	<b>1,692,661</b>
<b>c. Net operating result for the year</b>		<b>45,055</b>	<b>–</b>	<b>45,055</b>	<b>–</b>	<b>45,055</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b(ii)	–	99,944	99,944	–	99,944
– Asset recognition	20a&b(ii)	4,731	101	4,832	–	4,832
<b>Other comprehensive income</b>		<b>4,731</b>	<b>100,045</b>	<b>104,776</b>	<b>–</b>	<b>104,776</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>49,786</b>	<b>100,045</b>	<b>149,831</b>	<b>–</b>	<b>149,831</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity	20a&b(ii)	9,919	(9,919)	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>750,640</b>	<b>1,091,852</b>	<b>1,842,492</b>	<b>–</b>	<b>1,842,492</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		674,927	1,067,180	1,742,107	–	1,742,107
a. Correction of prior period errors	20(c)	–	(89,949)	(89,949)	–	(89,949)
b. Changes in accounting policies (prior year effects)	20(d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>674,927</b>	<b>977,231</b>	<b>1,652,158</b>	<b>–</b>	<b>1,652,158</b>
<b>c. Net operating result for the year</b>		<b>21,858</b>	<b>–</b>	<b>21,858</b>	<b>–</b>	<b>21,858</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b(ii)	–	–	–	–	–
– Asset recognition	20b(ii)	–	15,311	15,311	–	15,311
<b>Other comprehensive income</b>		<b>–</b>	<b>15,311</b>	<b>15,311</b>	<b>–</b>	<b>15,311</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>21,858</b>	<b>15,311</b>	<b>37,169</b>	<b>–</b>	<b>37,169</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity	20a&b(ii)	(9,184)	9,184	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>687,601</b>	<b>1,001,726</b>	<b>1,689,327</b>	<b>–</b>	<b>1,689,327</b>



## Fairfield City Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
103,862	Rates and annual charges		103,480	99,763
19,782	User charges and fees		19,072	17,909
3,086	Investment and interest revenue received		2,742	3,403
39,948	Grants and contributions		46,784	37,646
–	Bonds, deposits and retention amounts received		800	198
18,098	Other		31,105	19,419
<b>Payments:</b>				
(68,485)	Employee benefits and on-costs		(69,038)	(68,745)
(29,540)	Materials and contracts		(22,492)	(28,484)
(57)	Borrowing costs		(49)	(62)
(30,547)	Other		(39,806)	(37,749)
<u>56,147</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>72,598</u>	<u>43,297</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
427	Sale of investment securities		92,290	121,119
–	Sale of real estate assets		18,041	–
2,830	Sale of infrastructure, property, plant and equipment		1,611	3,041
<b>Payments:</b>				
(7,571)	Purchase of investment securities		(100,800)	(117,118)
(58,058)	Purchase of infrastructure, property, plant and equipment		(68,330)	(45,576)
<u>(62,372)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(57,188)</u>	<u>(38,534)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
300	Proceeds from borrowings and advances		–	–
<b>Payments:</b>				
(317)	Repayment of borrowings and advances		(313)	(306)
<u>(17)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(313)</u>	<u>(306)</u>
<u>(6,242)</u>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>15,097</u>	<u>4,457</u>
26,065	Plus: cash and cash equivalents – beginning of year	11a	20,522	16,065
<u>19,823</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>35,619</u>	<u>20,522</u>
Additional Information:				
49,962	plus: Investments on hand – end of year	6b	64,877	56,181
<u>69,785</u>	<b>Total cash, cash equivalents and investments</b>		<u>100,496</u>	<u>76,703</u>

**Please refer to Note 11 for information on the following:**

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to Note 1(ab).

###### (v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### **(vii) Critical accounting estimates**

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying Council's accounting policies.

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

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

Council makes estimates and assumptions concerning the future.

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

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

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

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### **(b) Revenue recognition**

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from contributions is recognised when Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

A detailed note relating to developer contributions can be found at Note 17.

#### User charges, fees and other income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

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

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

##### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in Council's consolidated fund unless it is required to be held in Council's trust fund.

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

##### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

A separate statement of monies held in the trust fund is available for inspection at Council office by any person free of charge.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (iii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

###### Joint operations (controlled assets and operations)

Joint operations represent operational arrangements where the joint control parties have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes and line items.

Detailed information relating to Council's joint operations can be found at Note 19 (c).

###### Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

###### Associates

Council has no interest in any associates.

###### County councils

Council is not a member of any county councils.

##### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

###### Finance leases

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

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

###### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

##### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;



## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

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

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets.

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

#### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General accounting and measurement of financial instruments:

###### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has

transferred substantially all the risks and rewards of ownership.

###### (ii) Subsequent measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

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

###### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

###### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to



## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

#### **(g) Fair value estimation – financial instruments**

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

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

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

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Council for similar financial instruments.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (i) Inventories

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

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

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

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

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

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

##### (j) Infrastructure, property, plant and equipment (I,PP&E)

###### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land**
- **Community land**
- **Land improvements**  
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
- **Other structures**  
(as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths** (internal valuation)
- **Bulk earthworks**
- **Stormwater drainage** (internal valuation)
- **Other open space/recreational assets**
- **Other infrastructure**
- **Other assets**  
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

###### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds \$1,000.

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

#### Plant and equipment

– Office equipment	10 years
– Office furniture	10 years
– Computer equipment	3 years
– Vehicles	5 years
– Heavy plant/road making equip.	5 years

#### Other equipment

– Park equipment	10 years
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#### Buildings

– Structure	40 to 80 years
– Roof	40 to 50 years
– Internal	20 years
– Electrical	20 years
– Fire / security	20 years
– Mechanical	20 years

#### Stormwater assets

– Drains	100 years
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## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Transportation assets

– Road pavement	100 years
– Road surface	30 years
– Road furniture	20 years
– Traffic facilities	40 years
– Car park pavement	100 years
– Car park surface	30 years
– Bridge: concrete	100 years
– Kerb and gutter	80 years
– Footpaths	60 years

##### Other infrastructure assets

– Park infrastructure	30 years
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##### Other assets

– Library books	10 years
– Other assets	10 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

##### Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### (l) Land under roads

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

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

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

##### (m) Intangible assets

Council has not classified any assets as intangible.

##### (n) Crown reserves

Crown reserves under Council's care and control are recognised as assets of 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural fire service assets

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

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

#### **(p) Investment property**

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow analysis

Annual changes in the fair value of investment properties are recorded in the Income Statement as part of 'other income'.

Full revaluations are carried out every 3 years with an appropriate index utilised each year in between the full revaluations.

The last full revaluation for Council's investment properties was dated 30 June 2014.

#### **(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries**

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the balance sheet date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwind of the discount, which is shown as a borrowing cost.



## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### **(s) Impairment of assets**

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (t) Payables

These amounts represent liabilities and include goods and services provided to Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

##### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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 balance sheet date.

##### (v) Borrowing costs

Borrowing costs are expensed.

##### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

##### (x) Employee benefits

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

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

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

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

##### (iii) Retirement benefit obligations

All employees of Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

##### Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair

value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the scheme was performed by Mr Richard Boyfield on February 2016 and covers the period ended 30 June 2015.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$1,701,901.

The amount of additional contributions included in the total employer contribution advised above is \$807,192.



## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$2,416,000 as at 30 June 2016.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2016.

#### (y) Self-insurance

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

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

#### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### (ab) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

#### **AASB 9 – Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

#### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

#### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

#### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

#### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

***AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]***

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11, and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative figures**

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

#### **(ae) Disclaimer**

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

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations			Total assets held (current & non-current)	
	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Original budget 2016	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016
Governance	–	–	–	932	662	670	(932)	(662)	(670)	–	–	93	–	–
Administration	4,547	3,620	5,463	30,364	35,367	32,770	(25,817)	(31,747)	(27,307)	991	2,655	270,605	149,908	–
Public order and safety	5,331	8,450	6,123	7,027	7,377	6,623	(1,696)	1,073	(500)	101	84	2,589	2,390	–
Health	568	461	541	809	701	767	(241)	(240)	(226)	–	–	113	122	–
Environment	33,013	34,117	30,360	31,080	39,515	32,102	1,933	(5,398)	(1,742)	1,508	637	229,620	252,910	–
Community services and education	9,993	9,863	9,918	13,088	12,822	12,760	(3,095)	(2,959)	(2,842)	3,234	3,205	18,197	18,182	–
Housing and community amenities	1,708	2,200	3,952	6,732	6,016	8,160	(5,024)	(3,816)	(4,208)	845	2,328	405	448	–
Recreation and culture	10,870	13,404	12,720	33,429	23,168	31,782	(22,559)	(9,764)	(19,062)	949	974	515,100	500,271	–
Mining, manufacturing and construction	568	659	589	855	823	905	(287)	(164)	(316)	–	–	–	–	–
Transport and communication	19,909	19,118	8,565	21,700	20,164	19,345	(1,791)	(1,046)	(10,780)	16,253	4,950	794,766	757,834	–
Economic affairs	5,640	15,000	6,733	7,688	4,317	4,731	(2,048)	10,683	2,002	117	473	49,399	42,431	–
<b>Total functions and activities</b>	<b>92,147</b>	<b>106,892</b>	<b>84,964</b>	<b>153,704</b>	<b>150,932</b>	<b>150,615</b>	<b>(61,557)</b>	<b>(44,040)</b>	<b>(65,651)</b>	<b>23,998</b>	<b>15,306</b>	<b>1,880,887</b>	<b>1,724,496</b>	–
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	641	222	–	–	–	–	641	222	–	–	5,656	5,015	–
General purpose income <sup>1</sup>	85,124	88,454	87,287	–	–	–	85,124	88,454	87,287	11,683	12,190	–	–	–
<b>Operating result from continuing operations</b>	<b>177,271</b>	<b>195,987</b>	<b>172,473</b>	<b>153,704</b>	<b>150,932</b>	<b>150,615</b>	<b>23,567</b>	<b>45,055</b>	<b>21,858</b>	<b>35,681</b>	<b>27,496</b>	<b>1,886,543</b>	<b>1,729,511</b>	–

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

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

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

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

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

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

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

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

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

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

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

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

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

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

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

##### **ECONOMIC AFFAIRS**

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

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		43,505	42,514
Farmland		231	207
Business		30,924	30,132
<b>Total ordinary rates</b>		<b>74,660</b>	<b>72,853</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		27,457	25,210
Drainage		1,511	1,509
Section 611 charges		101	–
<b>Total annual charges</b>		<b>29,069</b>	<b>26,719</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>103,729</b>	<b>99,572</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.



## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Domestic waste management services		111	48
Waste management services (non-domestic)		574	556
<b>Total user charges</b>		<b>685</b>	<b>604</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		274	283
Planning and building regulation		741	717
Regulatory fees		1,872	1,635
Section 149 certificates (EPA Act)		447	423
<b>Total fees and charges – statutory/regulatory</b>		<b>3,334</b>	<b>3,058</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Child care		4,101	3,458
Entry fees		2,994	2,803
Fairfield showground		1,397	1,379
Golf course		118	125
Library		111	145
Park rents		168	226
Photocopying machine charges		5	19
Recreation facilities		4,673	5,056
<b>Total fees and charges – other</b>		<b>13,567</b>	<b>13,211</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>17,586</b>	<b>16,873</b>



## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		261	267
– Interest earned on investments (interest and coupon payment income)		2,763	2,913
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)	6b	186	219
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>3,210</b>	<b>3,399</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		261	267
General Council cash and investments		1,850	1,977
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		1,079	1,155
– Section 64		20	–
<b>Total interest and investment revenue recognised</b>		<b>3,210</b>	<b>3,399</b>
<b>(d) Other revenues</b>			
Fair value increments – investment properties	14a	156	153
Rental income – investment properties	14d	783	980
Rental income – other council properties		2,393	1,843
Fines		8,182	6,100
Legal fees recovery – rates and charges (extra charges)		302	317
Car park operations		1,879	2,171
Commissions and agency fees		185	168
Insurance claim recoveries		239	57
Recycling income (non-domestic)		5,288	2,770
Other		112	–
<b>TOTAL OTHER REVENUE</b>		<b>19,519</b>	<b>14,559</b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance	9,934	10,417	–	–
Pensioners' rates subsidies – general component	1,749	1,773	–	–
<b>Total general purpose</b>	<b>11,683</b>	<b>12,190</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Bushfire and emergency services	96	84	–	–
Community care	2,269	2,907	–	–
Environmental protection	510	–	–	–
Heritage and cultural	13	–	–	–
Library	1,460	813	–	–
Recreation and culture	80	45	3,257	171
Street lighting	912	902	–	–
Transport (other roads and bridges funding)	350	–	14,355	3,867
Other	107	699	589	5,818
<b>Total specific purpose</b>	<b>5,797</b>	<b>5,450</b>	<b>18,201</b>	<b>9,856</b>
<b>Total grants</b>	<b>17,480</b>	<b>17,640</b>	<b>18,201</b>	<b>9,856</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	9,934	10,416	5,471	400
– State funding	7,546	7,224	12,601	5,856
– Other funding	–	–	129	3,600
	<b>17,480</b>	<b>17,640</b>	<b>18,201</b>	<b>9,856</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>					
S 94 – contributions towards amenities/services		–	–	6,586	5,423
<b>Total developer contributions</b>	17	<b>–</b>	<b>–</b>	<b>6,586</b>	<b>5,423</b>
<b>Other contributions:</b>					
Child care		2,665	3,010	–	–
RMS contributions (regional roads, block grant)		93	167	–	–
Other		37	19	–	–
<b>Total other contributions</b>		<b>2,795</b>	<b>3,196</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>		<b>2,795</b>	<b>3,196</b>	<b>6,586</b>	<b>5,423</b>
<b><u>TOTAL GRANTS AND CONTRIBUTIONS</u></b>		<b><u>20,275</u></b>	<b><u>20,836</u></b>	<b><u>24,787</u></b>	<b><u>15,279</u></b>

\$ '000	Notes	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>			
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>			
Unexpended at the close of the previous reporting period		32,812	30,264
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:		14,443	6,722
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:		(10,356)	(4,174)
<b>Net increase (decrease) in restricted assets during the period</b>		<b>4,087</b>	<b>2,548</b>
<b>Unexpended and held as restricted assets</b>		<b><u>36,899</u></b>	<b><u>32,812</u></b>
<b>Comprising:</b>			
– Specific purpose unexpended grants	6c	6,903	3,842
– Developer contributions	6c	29,996	28,970
– Other contributions		–	–
		<b><u>36,899</u></b>	<b><u>32,812</u></b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		50,952	49,072
Travel expenses		369	423
Employee leave entitlements (ELE)		8,502	8,171
Superannuation		6,322	6,272
Workers' compensation insurance		1,361	871
Fringe benefit tax (FBT)		158	249
Training costs (other than salaries and wages)		406	372
Protective clothing		379	215
Temporary contract labour		3,053	3,520
Other		92	89
<b>Total employee costs</b>		<b>71,594</b>	<b>69,254</b>
Less: capitalised costs		(4,431)	(1,443)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>67,163</b>	<b>67,811</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>739</b>	<b>725</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		49	61
<b>Total interest bearing liability costs expensed</b>		<b>49</b>	<b>61</b>
<b>(ii) Other borrowing costs</b>			
Nil			
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>49</b>	<b>61</b>
<b>(c) Materials and contracts</b>			
Raw materials and consumables		12,117	12,053
Contractor and consultancy costs		1,038	1,786
Auditors remuneration <sup>(1)</sup>		141	126
Legal expenses:			
– Legal expenses: other		1,004	1,034
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		1,022	1,250
Fuels		1,277	1,362
Increase/decrease stock valuation		(87)	39
Information technology		2,422	1,835
Maintenance and repairs (various)		2	–
Materials fleet running expenses		5,642	3,727
Stock write off		19	–
Trading requirement stock		142	130
Tyres		1	(4)
<b>Total materials and contracts</b>		<b>24,740</b>	<b>23,338</b>
Less: capitalised costs		(1,133)	(1,053)
<b>TOTAL MATERIALS AND CONTRACTS</b>		<b>23,607</b>	<b>22,285</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts (continued)</b>			
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		92	88
<b>Remuneration for audit and other assurance services</b>		<b>92</b>	<b>88</b>
<b>(ii) Other services</b>			
– Other services Occu health and safety audit		49	38
<b>Remuneration for other services</b>		<b>49</b>	<b>38</b>
<b>Total Auditor remuneration</b>		<b>141</b>	<b>126</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		591	671
Other		431	579
		<b>1,022</b>	<b>1,250</b>

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>(d) Depreciation, amortisation and impairment</b>					
Plant and equipment		–	–	3,465	2,820
Office equipment		–	–	892	651
Furniture and fittings		–	–	39	34
Infrastructure:					
– Buildings – non-specialised		–	–	6,357	–
– Buildings – specialised		–	–	–	9,461
– Roads		–	–	8,693	8,949
– Bridges		–	–	537	521
– Footpaths		–	–	1,844	1,537
– Stormwater drainage		–	–	1,688	2,280
– Kerb and gutter		–	–	2,236	1,847
– Park infrastructure		–	–	1,384	1,174
Other assets					
– Library books		–	–	874	736
– Other		–	–	535	108
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>	9	<b>–</b>	<b>–</b>	<b>28,544</b>	<b>30,118</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising (general)		465	454
Advertising (positions vacant)		11	7
Bad and doubtful debts		304	(307)
Children services		122	123
Commission / rebate		804	670
Conferences		177	127
Consumables		147	77
Contributions/levies to other levels of government			
– Board of fire commission		1,821	1,777
– Corporation sole EPA act		640	613
– NSW waste and recycling services		15,135	15,212
Councillor expenses – mayoral fee		62	61
Councillor expenses – councillors' fees		282	296
Councillors' expenses (incl. mayor) – other (excluding fees above)		58	81
Donations, contributions and assistance to other organisations (Section 356)		72	102
Electricity and heating		1,493	1,900
Equipment less than \$1,000		536	263
Financial charges		324	376
Insurance		1,811	1,118
Publicity and promotion		717	668
Photocopier operating costs		74	78
Postage		580	422
Printing and stationery		378	435
Rates collection		10	11
Street lighting		2,695	3,162
Subscriptions and publications		626	449
Telephone and communications		614	552
Valuation fees		327	340
Water rates		789	740
Other		495	533
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>31,569</u></b>	<b><u>30,340</u></b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		302	1,573
Less: carrying amount of property assets sold/written off	9a	(622)	(356)
<b>Net gain/(loss) on disposal</b>		<b>(320)</b>	<b>1,217</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		1,309	1,468
Less: carrying amount of plant and equipment assets sold/written off	9a	(1,048)	(952)
<b>Net gain/(loss) on disposal</b>		<b>261</b>	<b>516</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		18,041	–
Less: carrying amount of real estate assets sold/written off	9a	(11,742)	–
<b>Net gain/(loss) on disposal</b>		<b>6,299</b>	<b>–</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		92,290	121,119
Less: carrying amount of financial assets sold/redeemed/matured		(92,290)	(121,119)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>6,240</b>	<b>1,733</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		340	–	342	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		16,279	–	14,180	–
– Short-term deposits		19,000	–	6,000	–
<b>Total cash and cash equivalents</b>		<b>35,619</b>	<b>–</b>	<b>20,522</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Term deposits		23,000	–	21,000	–
– Bank Bills/Bonds		3,849	–	3,642	–
– Aust mortgaged backed securities		228	–	249	–
– FRN's		5,000	32,800	11,290	20,000
<b>Total investments</b>		<b>32,077</b>	<b>32,800</b>	<b>36,181</b>	<b>20,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>67,696</b>	<b>32,800</b>	<b>56,703</b>	<b>20,000</b>

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

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

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>35,619</b>	<b>–</b>	<b>20,522</b>	<b>–</b>
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**Investments**

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6b(i)	4,077	–	3,891	–
b. 'Held to maturity'	6b(ii)	28,000	32,800	32,290	20,000
<b>Investments</b>		<b>32,077</b>	<b>32,800</b>	<b>36,181</b>	<b>20,000</b>

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



## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 6b. investments (continued)

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Note 6b (i)</b>					
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>					
Balance at the beginning of the year		3,891	–	3,672	–
Revaluations (through the Income Statement)	3c	186	–	219	–
<b>Balance at end of year</b>		<b>4,077</b>	<b>–</b>	<b>3,891</b>	<b>–</b>
<b>Comprising:</b>					
– Bank Bills/Bonds		3,849	–	3,642	–
– Aust mortgaged backed securities		228	–	249	–
<b>Total</b>		<b>4,077</b>	<b>–</b>	<b>3,891</b>	<b>–</b>
<b>Note 6b (ii)</b>					
<b>Reconciliation of investments classified as 'held to maturity'</b>					
Balance at the beginning of the year		32,290	20,000	33,000	23,290
Additions		74,000	26,800	99,447	14,000
Disposals (sales and redemptions)		(78,290)	(14,000)	(100,157)	(17,290)
<b>Balance at end of year</b>		<b>28,000</b>	<b>32,800</b>	<b>32,290</b>	<b>20,000</b>
<b>Comprising:</b>					
– Term deposits		23,000	–	21,000	–
– FRN's		5,000	32,800	11,290	20,000
<b>Total</b>		<b>28,000</b>	<b>32,800</b>	<b>32,290</b>	<b>20,000</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	67,696	32,800	56,703	20,000
<b>attributable to:</b>				
External restrictions (refer below)	27,748	32,800	31,869	20,000
Internal restrictions (refer below)	20,899	–	20,003	–
Unrestricted	19,049	–	4,831	–
	<b>67,696</b>	<b>32,800</b>	<b>56,703</b>	<b>20,000</b>
<b>2016</b>	<b>Opening</b>	<b>Transfers to</b>	<b>Transfers from</b>	<b>Closing</b>
<b>\$ '000</b>	<b>balance</b>	<b>restrictions</b>	<b>restrictions</b>	<b>balance</b>
Details of restrictions				
<b>External restrictions – included in liabilities</b>				
Nil				
<b>External restrictions – other</b>				
Developer contributions – general (D)	28,970	7,685	(6,659)	29,996
Specific purpose unexpended grants (F)	3,842	3,423	(362)	6,903
Domestic waste management (G)	17,341	14,852	(11,326)	20,867
Stormwater management (G)	1,716	1,689	(1,383)	2,022
Voluntary Purchase Reserve (H)	–	760	–	760
<b>External restrictions – other</b>	<b>51,869</b>	<b>28,409</b>	<b>(19,730)</b>	<b>60,548</b>
<b>Total external restrictions</b>	<b>51,869</b>	<b>28,409</b>	<b>(19,730)</b>	<b>60,548</b>
<b>Internal restrictions</b>				
Car park assets	4,480	1,789	(1,578)	4,691
Councillors community fund	19	–	(19)	–
Future capital works	3,976	275	(1,826)	2,425
Museum reserve	17	1	–	18
Property development	983	20,096	(17,712)	3,367
Sister city committee	105	–	–	105
SRV reserve	4,891	5,455	(4,497)	5,849
Sustainable resource centre plant reserve	974	869	(857)	986
Sustainable resource centre site development	1,465	–	(367)	1,098
Town funds	2,303	1,531	(1,474)	2,360
Voluntary purchases	790	–	(790)	–
<b>Total internal restrictions</b>	<b>20,003</b>	<b>30,016</b>	<b>(29,120)</b>	<b>20,899</b>
<b>TOTAL RESTRICTIONS</b>	<b>71,872</b>	<b>58,425</b>	<b>(48,850)</b>	<b>81,447</b>

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

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

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

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		2,584	1,054	2,418	1,010
Accrued revenues					
– Interest on investments		779	–	497	–
– Other income accruals		475	–	1,168	–
Net GST receivable		1,721	–	1,287	–
Other debtors Sustainable Resource Cent		1,654	–	–	–
Other debtors Sundry		456	–	–	–
Other debtors Mis Grant		354	–	–	–
Other debtors		716	–	5,929	–
<b>Total</b>		<b>8,739</b>	<b>1,054</b>	<b>11,299</b>	<b>1,010</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(338)	–	(377)	–
Other debtors		(730)	–	(908)	–
<b>Total provision for impairment – receivables</b>		<b>(1,068)</b>	<b>–</b>	<b>(1,285)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,671</u></b>	<b><u>1,054</u></b>	<b><u>10,014</u></b>	<b><u>1,010</u></b>

There are no restrictions applicable to the above assets.

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015: 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Stores and materials		491	–	446	–
Trading stock		47	–	35	–
<b>Total inventories at cost</b>		<b>538</b>	<b>–</b>	<b>481</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>538</u></b>	<b><u>–</u></b>	<b><u>481</u></b>	<b><u>–</u></b>
<b>(b) Other assets</b>					
Prepayments		1,210	–	1,010	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>1,210</u></b>	<b><u>–</u></b>	<b><u>1,010</u></b>	<b><u>–</u></b>

**Externally restricted assets**

There are no restrictions applicable to the above assets.

**Inventory write downs**

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

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

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016					
	At cost	At fair value	Accumulated dep'n	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals (Note 5)	Depreciation expense (Note 4d)	WIP transfers	Other Adjustments and transfers (Note 20)	TfIs from/(to) 'held for sale' (Note 22)	TfIs from/(to) real estate assets	Revaluation increments to equity (Note 20b)	At cost	At fair value	Accumulated dep'n	Carrying value
Capital work in progress	19,229	–	–	19,229	42,781	25,549	(11,742)	–	(38,128)	–	(166)	8,351	–	45,874	–	–	45,874
Plant and equipment (MV, HV and MP)	–	30,880	15,282	15,598	–	–	(1,048)	(3,465)	4,325	248	–	–	–	–	31,659	16,001	15,658
Office equipment (OE, computer and others)	–	8,922	6,982	1,940	–	–	–	(892)	381	33	–	–	–	–	8,346	6,884	1,462
Furniture and fittings	–	341	248	93	–	–	–	(39)	21	–	–	–	–	–	362	287	75
<b>Land:</b>																	
– Operational land	–	185,470	–	185,470	–	–	(311)	–	22	101	(767)	(1,583)	–	–	182,932	–	182,932
– Community land	–	332,383	–	332,383	–	–	–	–	(2)	4,504	–	(7,930)	105,018	–	433,973	–	433,973
– Land under roads (post 30/6/08)	–	21,153	–	21,153	–	–	–	–	2	95	–	1,162	(5,074)	–	17,338	–	17,338
<b>Infrastructure:</b>																	
– Buildings – non-specialised	–	172,719	25,474	147,245	–	–	(311)	(6,357)	9,358	3,404	–	–	–	–	181,409	28,070	153,339
– Park infrastructure (open space)	–	25,198	9,140	16,058	–	–	–	(1,384)	–	–	–	–	–	–	25,198	10,524	14,674
– Roads	–	441,657	74,778	366,879	–	–	–	(8,693)	17,878	(120)	–	–	–	–	459,536	83,592	375,944
– Bridges	–	47,093	6,171	40,922	–	–	–	(537)	–	(5)	–	–	–	–	47,093	6,713	40,380
– Footpaths	–	109,532	14,640	94,892	–	–	–	(1,844)	2,327	(44)	–	–	–	–	111,858	16,527	95,331
– Bulk earthworks (non-depreciable)	–	23,814	–	23,814	–	–	–	–	–	–	–	–	–	–	23,814	–	23,814
– Stormwater drainage	–	249,840	43,609	206,231	–	–	–	(1,688)	760	18	–	–	–	–	250,600	45,279	205,321
– Kerb and gutter	–	178,970	31,782	147,188	–	–	–	(2,236)	1,339	(32)	–	–	–	–	180,309	34,050	146,259
<b>Other assets:</b>																	
– Library books	–	12,870	11,156	1,714	–	–	–	(874)	268	(34)	–	–	–	–	13,105	12,031	1,074
– Other	–	6,623	4,107	2,516	–	–	–	(535)	1,449	(2)	–	–	–	–	8,074	4,646	3,428
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>19,229</b>	<b>1,847,465</b>	<b>243,369</b>	<b>1,623,325</b>	<b>42,781</b>	<b>25,549</b>	<b>(13,412)</b>	<b>(28,544)</b>	<b>–</b>	<b>8,166</b>	<b>(933)</b>	<b>–</b>	<b>99,944</b>	<b>45,874</b>	<b>1,975,606</b>	<b>264,604</b>	<b>1,756,876</b>

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

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

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Domestic waste management</b>								
Plant and equipment	–	8,232	–	<b>8,232</b>	6,595	4,303	–	<b>10,898</b>
Land								
– Community land	–	3,950	–	<b>3,950</b>	3,800	–	–	<b>3,800</b>
<b>Total DWM</b>	<b>–</b>	<b>12,182</b>	<b>–</b>	<b>12,182</b>	<b>10,395</b>	<b>4,303</b>	<b>–</b>	<b>14,698</b>
<b>Car park and pedestrian malls</b>								
Plant and equipment	–	–	–	–	1,063	641	–	<b>1,704</b>
Other structures	–	–	–	–	30,836	3,657	–	<b>34,493</b>
<b>Total other restrictions</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31,899</b>	<b>4,298</b>	<b>–</b>	<b>36,197</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>12,182</b>	<b>–</b>	<b>12,182</b>	<b>42,294</b>	<b>8,601</b>	<b>–</b>	<b>50,895</b>

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

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

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		8,539	–	4,893	–
Accrued expenses:					
– Borrowings		2	–	2	–
– Salaries and wages		831	–	2,386	–
– Other expenditure accruals		319	–	808	–
Security bonds, deposits and retentions		7,209	–	6,409	–
Other		1,131	–	1,011	–
<b>Total payables</b>		<b>18,031</b>	<b>–</b>	<b>15,509</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		322	756	313	1,078
<b>Total borrowings</b>		<b>322</b>	<b>756</b>	<b>313</b>	<b>1,078</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		2,480	3,297	2,409	3,565
Sick leave		52	1,000	98	1,062
Long service leave		1,366	12,262	1,562	11,382
<b>Sub-total – aggregate employee benefits</b>		<b>3,898</b>	<b>16,559</b>	<b>4,069</b>	<b>16,009</b>
Self insurance – workers compensation		1,531	1,316	952	1,156
Self insurance – public liability		334	1,304	281	817
<b>Total provisions</b>		<b>5,763</b>	<b>19,179</b>	<b>5,302</b>	<b>17,982</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>24,116</u></b>	<b><u>19,935</u></b>	<b><u>21,124</u></b>	<b><u>19,060</u></b>

**(i) Liabilities relating to restricted assets**

	2016		2015	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Domestic waste management	1,547	–	1,576	–
Liabilities relating to externally restricted assets	1,547	–	1,576	–
<b>Internally restricted assets</b>				
Nil				
<b>Total liabilities relating to restricted assets</b>	1,547	–	1,576	–
<b>Total liabilities relating to unrestricted assets</b>	22,569	19,935	19,548	19,060
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>	<b>24,116</b>	<b>19,935</b>	<b>21,124</b>	<b>19,060</b>

<sup>1</sup> Loans are secured over the general rating income of Council

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

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Payables – security bonds, deposits and retentions	6,056	5,384
	<u>6,056</u>	<u>5,384</u>

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

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	5,974	4,274	(4,376)	(95)	–	5,777
Sick leave	1,160	20	(108)	(20)	–	1,052
Long service leave	12,944	2,175	(1,227)	(264)	–	13,628
Self insurance	3,206	1,279	–	–	–	4,485
<b>TOTAL</b>	<b>23,284</b>	<b>7,748</b>	<b>(5,711)</b>	<b>(379)</b>	<b>–</b>	<b>24,942</b>

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self insurance provisions represent both (i) claims incurred but not reported and (ii) claims reported and estimated as a result of Council's being a self insurer up to certain levels of excess.



## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	35,619	20,522
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>35,619</b>	<b>20,522</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>45,055</b>	<b>21,858</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation	4d	28,544	30,118
Net losses/(gains) on disposal of assets	5	(6,240)	(1,733)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as 'at fair value' or 'held for trading'	3c	(186)	(219)
– Investment properties	3d	(156)	(153)
Share of net (profits) or losses of associates/joint ventures	19	(641)	(222)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		2,516	(1,398)
Increase/(decrease) in provision for doubtful debts		(217)	(311)
Decrease/(increase) in inventories		(57)	90
Decrease/(increase) in other assets		(200)	(115)
Increase/(decrease) in payables		3,646	(3,955)
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		(2,044)	(195)
Increase/(decrease) in other liabilities		920	788
Increase/(decrease) in employee leave entitlements		379	(1,067)
Increase/(decrease) in other provisions		1,279	(188)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>72,598</b>	<b>43,297</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		1,500	1,500
Credit cards/purchase cards		236	236
<b>Total financing arrangements</b>		<b>1,736</b>	<b>1,736</b>

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

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

**(e) Bank guarantees**

Workcover Authority of NSW for Workers Compensation Obligations \$2,093,000

Sydney Water Corporation Relocation of sydney Water mains Polding St & Smithfield Rd \$100,000.00

Sydney Water Corporation main adjustment Hamilton Rd \$127,050.00

Sydney Water Corporation \$20,000.00

Sydney Water Corporation main adjustment at Wetherill Park Street \$250,000

Endeavour Energy - Upgrade electricity sub station at Prairiwood \$15,000

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, plant and equipment</b>			
Buildings		3,176	1,277
Plant and equipment		203	2,697
Land		1,289	3,195
Other		14,182	12,285
<b>Total commitments</b>		<b>18,850</b>	<b>19,454</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		18,850	19,454
<b>Total payable</b>		<b>18,850</b>	<b>19,454</b>
<b>Sources for funding of capital commitments:</b>			
Unrestricted general funds		18,850	19,454
<b>Total sources of funding</b>		<b>18,850</b>	<b>19,454</b>

**(b) Finance lease commitments**

Nil

**(c) Operating lease commitments (non-cancellable)****a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	791	442
Later than one year and not later than 5 years	617	570
Later than 5 years	–	–
<b>Total non-cancellable operating lease commitments</b>	<b>1,408</b>	<b>1,012</b>

**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 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>13,045</u>	<b>7.96%</b>	2.75%	-4.94%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>163,977</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>143,702</u>	<b>76.13%</b>	78.77%	84.68%
Total continuing operating revenue <sup>(1)</sup>	<u>188,764</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>50,300</u>	<b>3.05x</b>	2.57x	2.22x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>16,513</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>41,638</u>	<b>115.02x</b>	93.82x	14.86x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>362</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>3,300</u>	<b>3.07%</b>	2.95%	3.27%
Rates, annual and extra charges collectible	<u>107,343</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>35,619</u>	<b>3.25 mths</b>	1.8 mths	1.5 mths
Payments from cash flow of operating and financing activities	<u>10,975</u>			

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

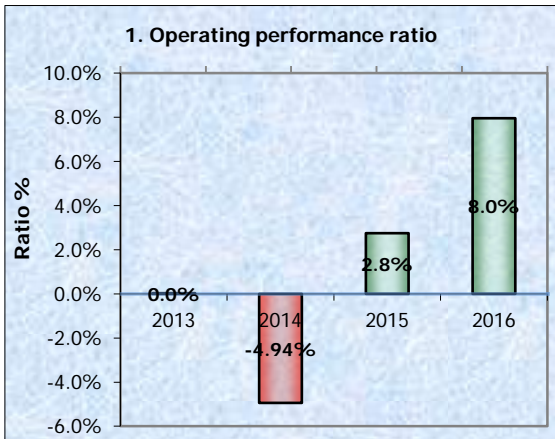
<sup>(3)</sup> Refer to Note 10(a).

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

# Fairfield City Council

## Notes to the Financial Statements for the year ended 30 June 2016

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



**Purpose of operating performance ratio**

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



**Commentary on 2015/16 result**

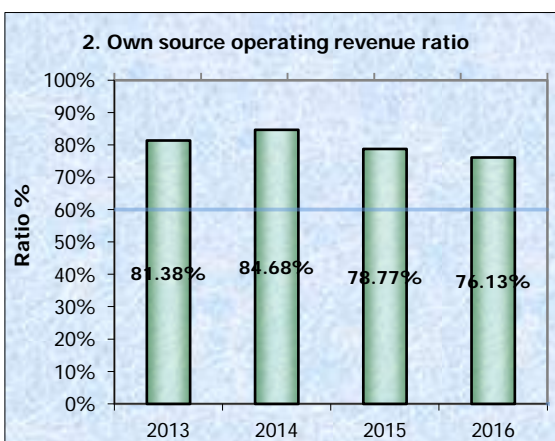
**2015/16 ratio 7.96%**

Additional rate income and recycling income from Sustainable Resource Centre are contributed to the positive results. There is a moderate increase in rental income from council properties also contributed to this improvement.

Benchmark: ——— Minimum  $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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



**Commentary on 2015/16 result**

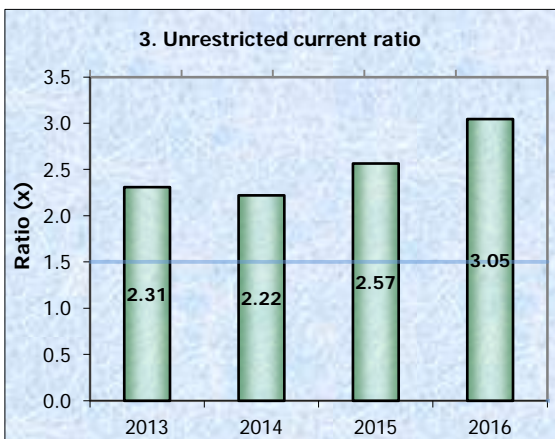
**2015/16 ratio 76.13%**

Council consistently maintains this ratio well above the Tcorp benchmark of 60%. It proves that the council has more relied on own source of funding for its operation. For the last four years this ratio is in the region of 80%.

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

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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



**Commentary on 2015/16 result**

**2015/16 ratio 3.05x**

Council's unrestricted current ratio is 3.05 compared to Tcorp benchmark of 1.5. Council maintain this ratio well above the benchmark and has sufficient liquid funds to meet its obligation.

Benchmark: ——— Minimum  $\geq 1.50$

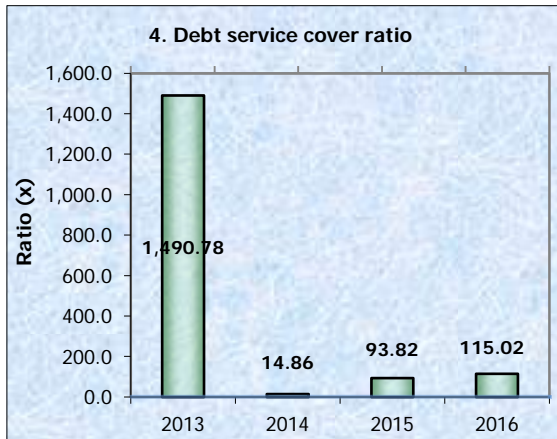
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark  
 Ratio is outside benchmark

# Fairfield City Council

## Notes to the Financial Statements for the year ended 30 June 2016

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



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

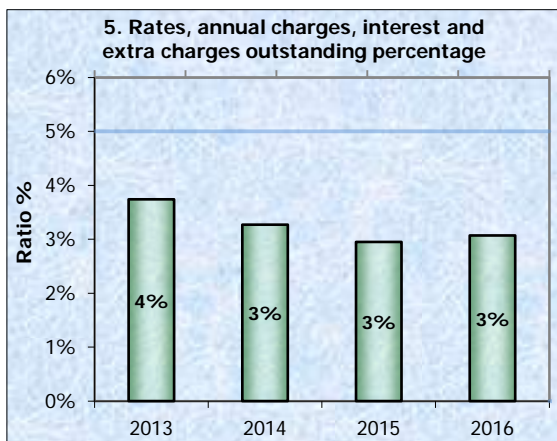
**2015/16 ratio 115.02x**

Council's debt service ratio is in strong position. Council has sufficient fund to meet its obligation.

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2015/16 result**

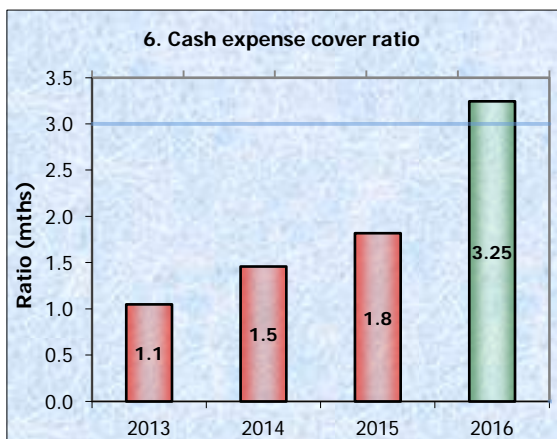
**2015/16 ratio 3.07%**

Outstanding Rates, Charges and fees are 3% which is within industry benchmark of 5%. Council consistently maintains this ratio around 3% which shows that debt control processes are working well.

Benchmark: Maximum  $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 3.25 mths**

Council's cash expense cover ratio is 3.25 months compared to Tcorp benchmark of 3 months. This shows that Council could meet its expense payments without additional cashflow.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Investment properties at fair value</b>			
<u>Investment properties on hand</u>		<u>12,109</u>	<u>11,953</u>
<b>Reconciliation of annual movement:</b>			
Opening balance		11,953	12,340
– Net gain/(loss) from fair value adjustments	3d	156	153
– Transfers from/(to) owner occupied (Note 9)		–	(540)
<b>CLOSING BALANCE – INVESTMENT PROPERTIES</b>	27	<b><u>12,109</u></b>	<b><u>11,953</u></b>

**(b) Valuation basis**

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

The 2016 fair value of the investment property is calculated by the internal professionals on a CPI indexed basis at the reporting date.

The last revaluation of the investment property was undertaken by Scott Fullarton FAPI CPP on 30 June 2014.

**(c) Investment property income and expenditure – summary**

<b>Rental income from investment properties:</b>			
– Minimum lease payments	3d	783	980
<b>Direct operating expenses on investment properties:</b>			
– that generated rental income		(80)	(67)
<b>Net revenue contribution from investment properties</b>		<b>703</b>	<b>913</b>
plus:			
<b>Fair value movement for year</b>		<b>156</b>	<b>153</b>
<b>Total income attributable to investment properties</b>		<b><u>859</u></b>	<b><u>1,066</u></b>

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



## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 15. Financial risk management

\$ '000

##### Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	35,619	20,522	35,619	20,522
Investments				
– 'Held for trading'	4,077	3,891	4,077	3,891
– 'Held to maturity'	60,800	52,290	60,800	52,290
Receivables	8,725	11,024	8,726	11,023
<b>Total financial assets</b>	<b>109,221</b>	<b>87,727</b>	<b>109,222</b>	<b>87,726</b>
<b>Financial liabilities</b>				
Payables	18,031	15,509	18,031	15,509
Loans/advances	1,078	1,391	1,078	1,391
<b>Total financial liabilities</b>	<b>19,109</b>	<b>16,900</b>	<b>19,109</b>	<b>16,900</b>

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 mkt 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**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	408	408	(408)	(408)
Possible impact of a 1% movement in interest rates	961	961	(961)	(961)
<b>2015</b>				
Possible impact of a 10% movement in market values	389	389	(389)	(389)
Possible impact of a 1% movement in interest rates	725	725	(725)	(725)

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (b) Credit risk

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

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

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

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

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	71%	40%	71%	33%
Overdue	29%	60%	29%	67%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	2,585	2,511	2,418	2,927
< 1 year overdue	0 – 30 days overdue	1,053	2,423	1,010	4,222
1 – 2 years overdue	30 – 60 days overdue	–	492	–	688
2 – 5 years overdue	60 – 90 days overdue	–	52	–	46
> 5 years overdue	> 90 days overdue	–	677	–	998
		<b>3,638</b>	<b>6,155</b>	<b>3,428</b>	<b>8,881</b>

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

	2016	2015
Balance at the beginning of the year	1,285	1,596
– amounts already provided for and written off this year	–	(1)
– previous impairment losses reversed	(217)	(310)
<b>Balance at the end of the year</b>	<b>1,068</b>	<b>1,285</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	7,209	10,822	–	–	–	–	–	18,031	18,031
Loans and advances	–	322	332	252	113	59	–	1,078	1,078
<b>Total financial liabilities</b>	<b>7,209</b>	<b>11,144</b>	<b>332</b>	<b>252</b>	<b>113</b>	<b>59</b>	<b>–</b>	<b>19,109</b>	<b>19,109</b>
<b>2015</b>									
Trade/other payables	6,409	9,100	–	–	–	–	–	15,509	15,509
Loans and advances	–	313	401	362	188	69	58	1,391	1,391
<b>Total financial liabilities</b>	<b>6,409</b>	<b>9,413</b>	<b>401</b>	<b>362</b>	<b>188</b>	<b>69</b>	<b>58</b>	<b>16,900</b>	<b>16,900</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	18,031	0.00%	15,509	0.00%
Loans and advances – fixed interest rate	1,078	4.79%	1,391	5.50%
	<u>19,109</u>		<u>16,900</u>	

## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 16. Material budget variations

\$ '000

Council's original financial budget for 2015/16 was adopted by the Council on 26 May 2015.

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

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

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

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
Rates and annual charges	103,758	103,729	(29)	(0%)	<b>U</b>
User charges and fees	16,708	17,586	878	5%	<b>F</b>
Interest and investment revenue	3,086	3,210	124	4%	<b>F</b>
Other revenues	13,992	19,519	5,527	40%	<b>F</b>
<i>Additional income generated from recycling income &amp; rental income from council properties</i>					
Operating grants and contributions	19,353	20,275	922	5%	<b>F</b>
Capital grants and contributions	20,374	24,787	4,413	22%	<b>F</b>
<i>Favourable variance is mainly from developer contributions</i>					
Net gains from disposal of assets	–	6,240	6,240	0%	<b>F</b>
Joint ventures and associates - net profits	–	641	641	0%	<b>F</b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
<b>EXPENSES</b>					
Employee benefits and on-costs	68,207	67,163	1,044	2%	F
Borrowing costs	57	49	8	14%	F
<i>Budgeted cashflow not reflecting the actual</i>					
Materials and contracts	24,140	23,607	533	2%	F
Depreciation and amortisation	30,415	28,544	1,871	6%	F
Other expenses	30,885	31,569	(684)	(2%)	U

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

Cash flows from operating activities	56,147	72,598	16,451	29.3%	F
<i>Additional contributions received from developers &amp; recycling income contributed to this variance</i>					
Cash flows from investing activities	(62,372)	(57,188)	5,184	(8.3%)	F
Cash flows from financing activities	(17)	(313)	(296)	1741.2%	U
<i>Budgeted cashflow not reflecting the actual</i>					

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

**SUMMARY OF CONTRIBUTIONS AND LEVIES**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	4,989	90	-	178	(69)	-	5,188	-
Roads	86	-	-	3	(87)	-	2	-
Traffic facilities	223	-	-	8	-	-	231	-
Parking	1,807	267	-	65	(653)	43	1,529	-
Open space	13,723	2,868	-	514	(3,119)	-	13,986	-
Community facilities	2,203	608	-	83	(321)	-	2,573	-
Concrete Path Paving	84	-	-	3	-	-	87	-
Administration	489	121	-	18	(120)	-	508	-
City Wide	70	44	-	2	-	-	116	-
<b>S94 contributions – under a plan</b>	<b>23,674</b>	<b>3,998</b>	<b>-</b>	<b>874</b>	<b>(4,369)</b>	<b>43</b>	<b>24,220</b>	<b>-</b>
<b>S94A levies – under a plan</b>	<b>5,160</b>	<b>2,097</b>	<b>-</b>	<b>205</b>	<b>(2,290)</b>	<b>-</b>	<b>5,172</b>	<b>-</b>
<b>Total S94 revenue under plans</b>	<b>28,834</b>	<b>6,095</b>	<b>-</b>	<b>1,079</b>	<b>(6,659)</b>	<b>43</b>	<b>29,392</b>	<b>-</b>
S94 not under plans	43	-	-	-	-	(43)	-	-
S64 contributions	93	491	-	20	-	-	604	-
<b>Total contributions</b>	<b>28,970</b>	<b>6,586</b>	<b>-</b>	<b>1,099</b>	<b>(6,659)</b>	<b>-</b>	<b>29,996</b>	<b>-</b>



Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN - 1999 Stormwater Drainage Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
- Creek	574	90	-	21	(69)	-	616	-
- Wetherhill Park	4,415	-	-	157	-	-	4,572	-
<b>Total</b>	<b>4,989</b>	<b>90</b>	<b>-</b>	<b>178</b>	<b>(69)</b>	<b>-</b>	<b>5,188</b>	<b>-</b>

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 Park & St John Park	1	-	-	-	-	-	1	-
	85	-	-	3	(87)	-	1	-
<b>Total</b>	<b>86</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(87)</b>	<b>-</b>	<b>2</b>	<b>-</b>

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	223	-	-	8	-	-	231	-
<b>Total</b>	<b>223</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>	<b>231</b>	<b>-</b>

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 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	17	-	-	2	-	-	19	-
- Parking Fairfield	1,768	158	-	61	(653)	43	1,377	-
- Parking Canley Heights	22	109	-	2	-	-	133	-
<b>Total</b>	<b>1,807</b>	<b>267</b>	<b>-</b>	<b>65</b>	<b>(653)</b>	<b>43</b>	<b>1,529</b>	<b>-</b>

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	8,902	-	-	315	(2,800)	-	6,417	-
<b>Total</b>	<b>8,902</b>	<b>-</b>	<b>-</b>	<b>315</b>	<b>(2,800)</b>	<b>-</b>	<b>6,417</b>	<b>-</b>

CONTRIBUTION PLAN - 1999 Recreation & Open Space Embellishment

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
- City wide	5	-	-	-	-	-	5	-
- Bonnyrigg	21	-	-	1	(17)	-	5	-
- Cabramatta	13	-	-	-	-	-	13	-
- Fairfield	397	-	-	14	(302)	-	109	-
- Wetherhill Park	26	(26)	-	-	-	-	-	-
- Rural Park	14	-	-	1	-	-	15	-
<b>Total</b>	<b>476</b>	<b>(26)</b>	<b>-</b>	<b>16</b>	<b>(319)</b>	<b>-</b>	<b>147</b>	<b>-</b>

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN - 1999 Community Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
- City wide	280	-	-	10	(221)	-	69	-
- Bonnyrigg	1	-	-	-	-	-	1	-
- Cabramatta	82	-	-	3	-	-	85	-
- Fairfield	763	-	-	27	-	-	790	-
- Wetherhill park	115	-	-	4	(100)	-	19	-
<b>Total</b>	<b>1,241</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>(321)</b>	<b>-</b>	<b>964</b>	<b>-</b>

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	84	-	-	3	-	-	87	-
<b>Total</b>	<b>84</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>87</b>	<b>-</b>

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	350	17	-	12	(120)	-	259	-
<b>Total</b>	<b>350</b>	<b>17</b>	<b>-</b>	<b>12</b>	<b>(120)</b>	<b>-</b>	<b>259</b>	<b>-</b>

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 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	70	44	-	2	-	-	116	-
<b>Total</b>	<b>70</b>	<b>44</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>116</b>	<b>-</b>

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	16	9	-	-	-	-	25	-
- Fairfield/Canley Heights	160	109	-	6	-	-	275	-
<b>Total</b>	<b>176</b>	<b>118</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>300</b>	<b>-</b>

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	149	64	-	6	-	-	219	-
- Fairfield Heights	169	126	-	7	-	-	302	-
- Villawood	55	41	-	3	-	-	99	-
- Canley Heights	92	57	-	4	-	-	153	-
- Cabramatta	120	97	-	5	-	-	222	-
- Prairewood	201	105	-	8	-	-	314	-
<b>Total</b>	<b>786</b>	<b>490</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>1,309</b>	<b>-</b>

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

CONTRIBUTION PLAN 2011 Land Acquisition

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
- Cabramatta	822	592	-	35	-	-	1,449	-
- Fairfield	1,227	813	-	51	-	-	2,091	-
- Western LGA	1,415	872	-	60	-	-	2,347	-
- Western LGA	226	142	-	9	-	-	377	-
<b>Total</b>	<b>3,690</b>	<b>2,419</b>	<b>-</b>	<b>155</b>	<b>-</b>	<b>-</b>	<b>6,264</b>	<b>-</b>

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	126	94	-	6	-	-	226	-
- Fairfield	197	122	-	8	-	-	327	-
- Villawood	41	30	-	2	-	-	73	-
- Western LGA	291	229	-	12	-	-	532	-
<b>Total</b>	<b>655</b>	<b>475</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>1,158</b>	<b>-</b>

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	139	104	-	6	-	-	249	-
<b>Total</b>	<b>139</b>	<b>104</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>249</b>	<b>-</b>

Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

**S94A LEVIES – UNDER A PLAN**

CONTRIBUTION PLAN NUMBER XX

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	5,160	2,097	-	205	(2,290)	-	5,172	-
<b>Total</b>	<b>5,160</b>	<b>2,097</b>	<b>-</b>	<b>205</b>	<b>(2,290)</b>	<b>-</b>	<b>5,172</b>	<b>-</b>

**S94 CONTRIBUTIONS – NOT UNDER A PLAN**

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
- VPA 83-85 The Crescent	43	-	-	-	-	-	43	-
<b>Total</b>	<b>43</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43</b>	<b>-</b>

**S93F 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	93	491	-	20	-	-	604	-
<b>Total</b>	<b>93</b>	<b>491</b>	<b>-</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>604</b>	<b>-</b>

## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

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

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

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

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

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

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

Fairfield City Council's share of the estimated deficit has been advised as \$1.133 m as at 30 June 2016.

###### (ii) Westpool

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. 2015/16 Fairfield City Council's Claims Report as at 30 June 2016 total is \$1,638,000.

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 19.

###### (iii) Workers Compensation Self Insurance Bank Guarantee

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

Council's Actuarial Assessment as at 30th June 2015 requires a Bank Guarantee of \$2.093m.

###### (iv) Other Guarantees

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



## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

#### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities

##### (i) Third party claims

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

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

##### (ii) S94 plans

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

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

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

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

#### ASSETS NOT RECOGNISED:

##### (i) Land under roads

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

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

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

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

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

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

#### OTHER ASSETS & LIABILITIES NOT RECOGNISED:

##### (i) RIDS

Fairfield City Council together with Penrith, Hawkesbury, Bankstown, The Hills Shire (formerly known as Baulkham Hills), Holroyd and Resources NSW (formerly known as the Sydney Waste Board) are in a Joint Venture known as RIDS-Regional Dumping Squad.

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 Joint Venture and has an undertaking to annually contribute. (\$58,000 for 2015/16).

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

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

## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 19. Interests in other entities

\$ '000

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

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

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

#### **Controlled entities (subsidiaries)**

**Note 19(a)**

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

#### **Joint ventures and associates**

**Note 19(b)**

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

#### **Joint operations**

**Note 19(c)**

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

#### **Unconsolidated structured entities**

**Note 19(d)**

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

#### **Subsidiaries, joint arrangements and associates not recognised**

**Note 19(e)**

#### **Accounting recognition:**

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

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

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	641	222	5,656	5,015
<b>Total</b>	<b>641</b>	<b>222</b>	<b>5,656</b>	<b>5,015</b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 19. Interests in other entities (continued)

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\$ '000

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

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

**(b) Joint ventures and associates**

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

**(a) Net carrying amounts – Council's share**

Name of entity	Nature of relationship	2016	2015
UIP	Joint venture	441	–
Westpool	Joint venture	5,215	5,015
<b>Total carrying amounts – material joint ventures and associates</b>		<b>5,656</b>	<b>5,015</b>

**(b) Details**

Name of entity	Principal activity
UIP	
Westpool	Self insurance

**(c) Relevant interests and fair values**

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
UIP	6%	n/a	6%	n/a	5%	n/a
Westpool	16%	11%	16%	17%	10%	17%

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 19. Interests in other entities (continued)

\$ '000

## (b) Joint ventures and associates (continued)

## (d) Summarised financial information for joint ventures and associates

	UIP		Westpool	
	2016	2015	2016	2015
<b>Statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	171	–	2,960	3,093
Other current assets	4,177	–	9,749	5,591
<b>Total current assets</b>	<b>4,348</b>	<b>–</b>	<b>12,709</b>	<b>8,684</b>
<b>Non-current assets</b>	<b>8,539</b>	<b>–</b>	<b>47,864</b>	<b>48,487</b>
<b>Current liabilities</b>				
Financial liabilities (excl. accounts payable)	2,800	–	4,999	–
Other current liabilities	346	–	523	4,742
<b>Total current liabilities</b>	<b>3,146</b>	<b>–</b>	<b>5,522</b>	<b>4,742</b>
<b>Non-current liabilities</b>	<b>2,454</b>	<b>–</b>	<b>22,856</b>	<b>22,486</b>
<b>Net assets</b>	<b>7,287</b>	<b>–</b>	<b>32,195</b>	<b>29,943</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	7,518	–	29,943	28,013
Profit/(loss) for the period	(231)	–	3,498	1,930
Return of equity	–	–	(1,246)	–
<b>Closing net assets</b>	<b>7,287</b>	<b>–</b>	<b>32,195</b>	<b>29,943</b>
<b>Council's share of net assets (%)</b>	<b>6.1%</b>	<b>0.0%</b>	<b>16.2%</b>	<b>16.8%</b>
<b>Council's share of net assets (\$)</b>	<b>441</b>	<b>–</b>	<b>5,215</b>	<b>5,015</b>
<b>Statement of comprehensive income</b>				
Income	8,551	–	7,421	7,875
Interest income	423	–	2,438	3,494
Interest expense	–	–	(17)	(17)
Other expenses	(9,205)	–	(6,344)	(9,420)
<b>Profit/(loss) for period</b>	<b>(231)</b>	<b>–</b>	<b>3,498</b>	<b>1,932</b>
<b>Total comprehensive income</b>	<b>(231)</b>	<b>–</b>	<b>3,498</b>	<b>1,932</b>
<b>Share of income – Council (%)</b>	<b>11.6%</b>	<b>0.0%</b>	<b>13.9%</b>	<b>11.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>155</b>	<b>–</b>	<b>486</b>	<b>222</b>
<b>Total comprehensive income – Council (\$)</b>	<b>155</b>	<b>–</b>	<b>486</b>	<b>222</b>

## (c) Joint operations

Council has no interest in any joint operations.

## (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

## (e) Subsidiaries, joint arrangements and associates not recognised

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

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		687,601	674,927
a. Correction of prior period errors	20 (c)	3,334	–
b. Other comprehensive income (excl. direct to reserves transactions)		4,731	–
c. Net operating result for the year		45,055	21,858
d. Transfers between equity		9,919	(9,184)
<b>Balance at end of the reporting period</b>		<b><u>750,640</u></b>	<b><u>687,601</u></b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		1,091,852	1,001,726
<b>Total</b>		<b><u>1,091,852</u></b>	<b><u>1,001,726</u></b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		1,001,726	1,067,180
– Revaluations for the year	9(a)	99,944	–
– Transfer to retained earnings for asset disposals		(9,919)	9,184
– Correction of prior period errors	20(c)	–	(89,949)
– Asset recognition		101	15,311
<b>– Balance at end of year</b>		<b><u>1,091,852</u></b>	<b><u>1,001,726</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>1,091,852</u></b>	<b><u>1,001,726</u></b>

**(iii) 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 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Correction of error/s relating to a previous reporting period</b>			
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)		–	(89,949)
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)		3,334	–
<b>Total prior period adjustments – prior period errors</b>		<b>3,334</b>	<b>(89,949)</b>

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

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

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

Council utilises only a general fund for its operations.

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Current	2016 Non-current	2015 Current	2015 Non-current
<b>(i) Non-current assets and disposal group assets</b>				
<b>Non-current assets 'held for sale'</b>				
Land	933	-	-	-
<b>Total non-current assets 'held for sale'</b>	<b>933</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Disposal group assets 'held for sale'</b>				
None				
<b><u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u></b>	<b><u>933</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

**(ii) Details of assets and disposal groups**

Council has developed the Diamond Crescent as the real estate in 41 Lots of land for sale in the year. As at the reporting date, there are remaining 3 parcels of land which it has decided to dispose of.

Refer to Note 27. Fair value measurement for fair value measurement information.



## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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Events that occur between the end of the reporting period ended 30 June 2016 and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 25/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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

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

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

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading' through profit/(loss)	30/06/16	–	4,077	–	4,077
– 'Held for maturity'	30/06/16	–	–	60,800	60,800
<b>Total financial assets</b>		<b>–</b>	<b>4,077</b>	<b>60,800</b>	<b>64,877</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/16	–	1,078	–	1,078
<b>Total financial liabilities</b>		<b>–</b>	<b>1,078</b>	<b>–</b>	<b>1,078</b>
<b>Investment properties</b>					
Leased properties	30/06/16	–	12,109	–	12,109
<b>Total investment properties</b>		<b>–</b>	<b>12,109</b>	<b>–</b>	<b>12,109</b>

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	30/06/16	–	–	45,874	45,874
Plant and equipment	30/06/16	–	–	15,658	15,658
Office equipment	30/06/16	–	–	1,462	1,462
Furniture and fittings	30/06/16	–	–	75	75
Operational land	30/06/16	–	182,932	–	182,932
Community land	30/06/16	–	–	433,973	433,973
Buildings	30/06/16	–	153,339	–	153,339
Park infrastructure	30/06/16	–	–	14,674	14,674
Roads	30/06/16	–	–	375,944	375,944
Bridges	30/06/16	–	–	40,380	40,380
Footpaths	30/06/16	–	–	95,331	95,331
Stormwater drainage	30/06/16	–	–	205,321	205,321
Kerb and gutter	30/06/16	–	–	146,259	146,259
Library books	30/06/16	–	–	1,074	1,074
Other assets	30/06/16	–	–	3,428	3,428
Land under Roads	30/06/16	–	–	17,338	17,338
Bulk Earthworks	30/06/16	–	–	23,814	23,814
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>336,271</b>	<b>1,420,605</b>	<b>1,756,876</b>
<b>Non-recurring fair value measurements</b>					
<b>Non-current assets classified as 'held for sale'</b>					
Land for Sale	30/06/16	–	–	933	933
<b>Total NCA's classified as 'held for sale'</b>		<b>–</b>	<b>–</b>	<b>933</b>	<b>933</b>
<b>2015</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading' through profit/(loss)	30/06/15	–	3,891	–	3,891
– 'Held for maturity'	30/06/15	–	–	52,290	52,290
<b>Total financial assets</b>		<b>–</b>	<b>3,891</b>	<b>52,290</b>	<b>56,181</b>
<b>Financial liabilities</b>					
Loans/advances	30/06/15	–	1,391	–	1,391
<b>Total financial liabilities</b>		<b>–</b>	<b>1,391</b>	<b>–</b>	<b>1,391</b>
<b>Investment properties</b>					
Leased properties	30/06/15	–	11,953	–	11,953
<b>Total investment properties</b>		<b>–</b>	<b>11,953</b>	<b>–</b>	<b>11,953</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Capital work in progress	30/06/15	–	–	19,229	19,229
Plant and equipment	30/06/15	–	–	15,598	15,598
Office equipment	30/06/15	–	–	1,940	1,940
Furniture and fittings	30/06/15	–	–	93	93
Operational land	30/06/15	–	185,470	–	185,470
Community land	30/06/15	–	–	332,383	332,383
Buildings	30/06/15	–	147,245	–	147,245
Park infrastructure	30/06/15	–	–	16,058	16,058
Roads	30/06/15	–	–	366,879	366,879
Bridges	30/06/15	–	–	40,922	40,922
Footpaths	30/06/15	–	–	94,892	94,892
Stormwater drainage	30/06/15	–	–	206,231	206,231
Kerb and gutter	30/06/15	–	–	147,188	147,188
Library books	30/06/15	–	–	1,714	1,714
Other assets	30/06/15	–	–	2,516	2,516
Land under Roads		–	–	21,153	21,153
Bulk Earthworks		–	–	23,814	23,814
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>332,715</b>	<b>1,290,610</b>	<b>1,623,325</b>

## (2) Transfers between levels fair value hierarchies

During the year, there were no transfers between level 1, level 2 and level 3 fair value hierarchies for recurring fair value measurements.

## Fairfield City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

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

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

##### Investment properties

Council engages external, independent and qualified valuers to determine the fair value of its investment properties three years. As at 30 June 2014 the valuation of the investment property portfolio was performed by Scott Fullarton FAPI CPP. On an annual basis, the fair value of the investment properties are indexed by Council internal professionals.

All investment property valuations are included in level 3 of the hierarchy. The value of investment property has determined using either using the capitalisation of rental income or with reference to value of similar properties properties within the area. The key unobservable input to the valuation is the rent or price per square metre.

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##### Operational Land and Buildings

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

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

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

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##### Community Land and Land under Roads

The fair value for community land and land under roads in level 3 has been determined using a unit rate per square metre, derived from the Valuer General's valuation performed for rating purposes, and applying to the total area. 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.

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##### Infrastructure Assets

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

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

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

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

## Fairfield City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Financial Assets	IPP&E	Asset held for Sale	Total
<b>Opening balance – 1/7/2014</b>	56,290	1,225,441	–	1,281,731
Transfers from/(to) level 2 FV hierarchy 274(b)	–	29,596	–	29,596
Purchases (GBV)	–	36,545	–	36,545
Disposals (WDV)	(4,000)	(1,000)	–	(5,000)
Depreciation and impairment	–	(20,657)	–	(20,657)
FV gains – other comprehensive income	–	20,685	–	20,685
<b>Closing balance – 30/6/2015</b>	<b>52,290</b>	<b>1,290,610</b>	<b>–</b>	<b>1,342,900</b>
Transfers from/(to) another asset class	–	(933)	933	–
Purchases (GBV)	8,510	61,300	–	69,810
Disposals (WDV)	–	(12,790)	–	(12,790)
Depreciation and impairment	–	(22,187)	–	(22,187)
FV gains – other comprehensive income	–	104,605	–	104,605
<b>Closing balance – 30/6/2016</b>	<b>60,800</b>	<b>1,420,605</b>	<b>933</b>	<b>1,482,338</b>

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.**

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

Class	Fair value Valuation (30/6/16) technique/s \$'000	Unobservable inputs
<b>Financial assets</b>		
Held to maturity	60,800	Bank confirmaitons
		Interest rates
<b>I,PP&amp;E</b>		
Capital work in progress	45,874	Cost used to approximate fair value
Plant and equipment	15,658	Cost used to approximate fair value
Office equipment	1,462	Cost used to approximate fair value
Furniture and fittings	75	Cost used to approximate fair value
Community land	433,973	NSW Valuer General land valuation
Park infrastructure	14,674	Unit rate per sqr meter or length
Roads	375,944	Unit rate per sqr meter or length
Bridges	40,380	Unit rate per sqr meter or length
Footpaths	95,331	Unit rate per sqr meter or length
Stormwater drainage	205,321	Unit rate per sqr meter or length
Kerb and gutter	146,259	Unit rate per sqr meter or length
Library books	1,074	Cost used to approximate fair value
Other assets	3,428	Cost used to approximate fair value
Land under Roads	17,338	NSW Valuer General land valuation
Bulk Earthworks	23,814	Unit rate per sqr meter or length
		Asset condition, remaining lives, residual
<b>Non-current assets classified as 'held for sale'</b>		
Land	933	Cost used to approximate fair value
		Gross replacement cost

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

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

## Fairfield City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 28. Financial review

\$ '000

## Key financial figures of Council over the past 5 years (consolidated)

Financial performance figures	2016	2015	2014	2013	2012
<b>Inflows:</b>					
Rates and annual charges revenue	103,729	99,572	95,092	90,994	86,425
User charges revenue	17,586	16,873	15,808	16,845	15,860
Interest and investment revenue (losses)	3,210	3,399	3,734	3,927	5,336
Grants income – operating and capital	35,681	27,496	15,267	21,812	25,323
Total income from continuing operations	195,987	172,473	152,564	151,910	146,676
Sale proceeds from I,PP&E	19,652	3,041	1,009	1,626	1,312
New loan borrowings and advances	–	–	–	–	–
<b>Outflows:</b>					
Employee benefits and on-cost expenses	67,163	67,811	64,275	63,573	62,212
Borrowing costs	49	61	121	226	377
Materials and contracts expenses	23,607	22,285	24,830	23,696	20,112
Total expenses from continuing operations	150,932	150,615	149,544	143,437	135,091
Total cash purchases of I,PP&E	68,330	45,576	41,592	30,820	30,853
Total loan repayments (incl. finance leases)	313	306	1,378	1,498	2,001
Operating surplus/(deficit) (excl. capital income)	20,268	6,579	(4,977)	1,609	5,611
<b>Financial position figures</b>	<b>2016</b>	<b>2015</b>	2014	2013	2012
Current assets	78,048	68,208	62,509	52,730	59,069
Current liabilities	24,116	21,124	25,209	42,886	42,057
Net current assets	53,932	47,084	37,300	9,844	17,012
Available working capital (Unrestricted net current assets)	11,052	1,170	(6,097)	2,556	4,450
Cash and investments – unrestricted	19,049	4,831	3,406	9,979	7,868
Cash and investments – internal restrictions	20,899	20,003	27,628	26,863	29,598
Cash and investments – total	100,496	76,703	76,027	78,608	79,203
Total borrowings outstanding (Loans, advances and finance leases)	1,078	1,391	1,697	3,075	4,573
Total value of I,PP&E (excl. land and earthworks)	1,363,423	1,303,874	1,269,173	1,240,425	1,264,171
Total accumulated depreciation	264,604	243,369	292,011	264,037	321,638
Indicative remaining useful life (as a % of GBV)	81%	81%	77%	79%	75%

Source: published audited financial statements of Council (current year and prior year)



## Fairfield City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 29. Council information and contact details

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**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](http://www.fairfieldcity.nsw.gov.au)

**Email:** [mail@fairfieldcity.nsw.gov.au](mailto:mail@fairfieldcity.nsw.gov.au)

**Officers**
**GENERAL MANAGER**

Alan Young

**RESPONSIBLE ACCOUNTING OFFICER**

Bradley Cutts

**PUBLIC OFFICER**

Andrew Mcleod

**AUDITORS**

Pitcher Partner  
GPO Box 1615  
Sydney NSW 2001

**Elected members**
**MAYOR**

Frank Carbone

**COUNCILLORS**

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

**Other information**

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**FAIRFIELD CITY COUNCIL**  
**Independent Audit Report to the Council**  
**General Purpose Financial Statements for the Year ended 30 June 2016**

**Report on the Financial Report**

We have audited the general purpose financial statements of Fairfield City Council, which comprises the Statement of Financial Position as at 30 June 2016, Statement by Councillors and Management, and the Income Statement, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

*Council's Responsibilities for the Financial Statements*

Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the statutory requirements under the Local Government Act, 1993, and for such internal control that Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities*

Our responsibility is to express an opinion on the financial statements based on our audit. Our audit responsibility does not extend to the Original Budget figures disclosed in the Income Statement and Statement of Cash Flows, Notes 2(a), and 16 to the financial statements, estimated expenditure in Note 17, additional Council disclosure notes, nor the attached Special Schedules. Accordingly, no opinion is expressed on these matters.

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

#### *Auditor's Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairfield City Council as of 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

#### **Report on Other Legal and Regulatory Requirements**

##### *Council's Responsibilities for compliance with other legal and regulatory requirements*

Council is responsible for ensuring compliance with the accounting and reporting requirements of Division 2 of Part 3, Chapter 12 of the Local Government Act, 1993. This responsibility includes maintaining such accounting records as are necessary to correctly record and explain its financial transactions and its financial position, and to facilitate convenient and proper auditing of its financial statements.


##### *Auditor's Responsibilities under Section 417(2) of the Local Government Act, 1993*

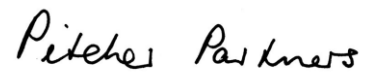
Our responsibility is to report on Council's compliance with the accounting and reporting requirements of the Local Government Act, 1993 and Local Government (General) Regulation 2005.

##### *Auditors' Opinion on other legal and regulatory requirements*

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and the Local Government (General) Regulation 2005; and
- (b) the Council's general purpose financial statements
  - i) have been prepared in accordance with the requirements of this Division and Regulation;
  - ii) are consistent with the Council's accounting records;
  - iii) present fairly the Council's financial position and the results of its operations;
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

  
CARL MILLINGTON  
Partner

  
PITCHER PARTNERS  
Sydney, 26 October 2016

**FAIRFIELD CITY COUNCIL**  
**INDEPENDENT AUDITORS' REPORT ON THE CONDUCT OF THE AUDIT**  
**(Local Government Act, 1993 – Sections 417(1) and 417(3))**  
**YEAR ENDED 30 JUNE 2016**

Fairfield City Council has prepared general and special purpose financial reports for the year ended 30 June 2016 on which we issued separate audit reports to the Council dated 25 October 2016. This report has been prepared in accordance with the requirements of the Office of Local Government, and the provisions of Sections 417(1) and 417(3) of the Local Government Act, 1993.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

### Audit Conclusion

Our audit of the financial reports for the year ended 30 June 2016 resulted in unqualified independent audit reports for Council's General Purpose and Special Purpose Financial Statements.

### Additional Audit Considerations and Comment

#### Income Statement

##### *Summarised Income Statement*

	2016 Actual	2016 Budget	* Budget	2015 Actual
	\$'000	\$'000	Variance %	\$'000
Operating result	45,055	23,567	91.8% F	21,858
Operating result before capital revenue	20,268	3,193	534.8% F	6,579
Rates & annual charges	103,729	103,758	0.03% U	99,572
Operating grants & contributions	20,275	19,353	4.76% F	20,836
Capital grants & contributions	24,787	20,374	21.66% F	15,279
Depreciation & amortisation	28,544	30,415	6.51% F	30,118

\* Detailed explanations for material favourable (F) and unfavourable (U) budget variations are provided in Note 16 to the financial statements

*Operating Result.* Council's operating surplus increased from \$21.858M in 2015 to \$45.055M in 2016. This compared with a budgeted surplus of \$23.567M for the year. The most significant variations impacting the operating result were on the revenue side and included:

- Increases in the Other Revenue items of 'Fines' and ' Recycling Income' which is generated by council's Sustainable Resource Centre;
- An increase in the capital grants and contributions received within the specific purpose areas of 'Recreation and Culture' and 'Transport'; and
- Gains from the disposal of assets through the sub-division, development and sale of properties in Diamond Crescent, Bonnyrigg.

*Operating Result before Capital.* The operating result before Capital grants and contributions was a surplus of \$20.268M compared with the prior year surplus of \$6.579M. This compared with the original budget surplus of \$3.193M.

*Rates and Annual Charges.* Revenue from rates and annual charges increased to \$103.729M from \$99.572M in the prior year, and was in line with budget expectations for the year.

*Grants and Contributions.* Operating grants and contributions for the year amounted to \$20.275M and represented 10.35% of total income from continuing operations. This compares with budget of \$19.353M.

Capital grants and contributions amounted to \$24.787M for the 2016 year and represented 12.65% (2015: 8.86%) of total income from continuing operations. This compares with the budget of \$20.374M. Significant amounts were received for recreational and transport infrastructure projects

*Depreciation.* Included in the operating result was \$28.544M for the depreciation and amortisation of infrastructure, property, plant and equipment which decreased from \$30.118M in the prior year and compared favourably with the original budget of \$30.415M. Depreciation and amortisation represents 18.91% (2015: 19.99%) of total expenses and 14.56% (2015: 17.46%) of total income for the year. The reduction in this expense is the result of the revaluation of road and road related infrastructure as at 30 June 2015 where re-assessment of useful lives resulted in less expense.

## Statement of Financial Position

Council's equity at 30 June 2016 amounted to \$1,842.492M comprised of retained earnings, and reserves arising from revaluation of infrastructure assets in prior years.

The increase in equity was resulted from the 2016 surplus of \$45.055M and the net reduction in infrastructure, property plant and equipment balances as a result of the revaluation conducted during the year.

At balance date Council had not utilised any of its bank overdraft facility of \$1.5M.

## Movements in Cash and Cash Equivalents

### Summarised Statement of Cash Flows

Activities	2016 Actual \$'000	2016 Budget \$'000	* Budget Variance %	2015 Actual \$'000
Net cash flows from operations	72,598	56,147	29.30% F	43,297
Net cash flows from investing	(57,188)	(62,372)	8.31% F	(38,534)
Net cash flows from financing	(313)	(17)	1,741.2% U	(303)
<b>Net movement in cash</b>	<b>15,097</b>	<b>(6,242)</b>	<b>341.86%U</b>	<b>4,457</b>

\* Detailed explanations for material budget variations are provided in Note 16 to the financial statements

Council's cash and cash equivalent balances increased to a total of \$35.619M during the year, with net investing activities positively impacted by \$18.0M from the sale of real estate assets. This source of funds was not budgeted for and had not occurred in 2015.

### Total Investments and Cash Balances

Council's total cash balance at 30 June 2016 was comprised of the following:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Externally restricted cash	60,548	51,869
Internally restricted cash	20,899	20,003
Unrestricted cash	19,049	4,831
<i>Total Cash, Cash Equivalents and Investments</i>	<u>100,496</u>	<u>76,703</u>

Council's cash and investments balances have increased significantly during the year within the externally restricted and unrestricted balances. External restrictions on cash and investments have increased with expenditure for specific purpose grants and domestic waste management not matching transfers in. The increase in the unrestricted cash appears to relate to the sale of the land lots in the Diamond Crescent subdivision as well as profitable returns from the Sustainable Resource Centre operations through contracts awarded.

### Performance Indicators and Trends

Prescribed performance indicators are included in Note 13 to the financial report and provide a comparison of the 2016 year results with prior years.

*Operating performance ratio.* At 7.96% this ratio is above benchmarks set by NSW TCorp and expectations of the Office of Local Government and continues the improvement shown since 2014.

*Own source operating revenue ratio:* The ratio of 76.13% continues to exceed the industry benchmark of 60% and indicates that Council's reliance on external funding sources is minimal.

*Unrestricted Current Ratio.* This ratio (3.05:1) continues the improvement on previous years and indicates that Council has sufficient working capital to fund day-to-day operations. It is above the industry benchmark of 1.5:1 established by TCorp.

*Debt Service Cover Ratio.* As a result of Council's minimal indebtedness the debt service ratio of 115.02 remains well above the industry benchmark of  $\geq 2$ .

*Rates and Annual Charges Outstanding Percentage.* The amount of rates uncollected at year end expressed as a percentage of the total rates and annual charges collectible was 3.07%. This is within the industry benchmark of 5%.

*Cash expense cover ratio.* This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. Council's ratio of 3.25 exceeds the industry benchmark of 3 and indicates that Council has sufficient liquidity to adequately fund its short term operations.

### Legislative Compliance

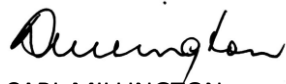
As a result of our audit we advise that no material deficiencies in the accounting records or financial reports have come to our attention during the conduct of the audit, and that Council's accounting records have been kept accurately and conscientiously and in accordance with requirements of the Local Government Act, 1993, and Regulations.

Council has complied with all statutory reporting requirements relating to Division 2 of Chapter 12 of the Local Government Act, 1993, the Code of Accounting Practice and Financial Reporting (Update 24), and other legislatively prescribed standards.

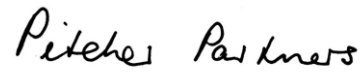
### Conduct of the audit

During the conduct of our audit, a number of issues arose that required additional explanation and investigation, however we are able to report that all such issues have been appropriately attended to and there are no matters of audit significance, other than those already referred to in this report, that require mention in this or our statutory audit report.

We would like to commend the courteous and professional manner in which Council's staff has acted throughout the conduct of our audit, and their willingness to consider issues that we raised and assist us with our audit.



CARL MILLINGTON  
Partner



PITCHER PARTNERS  
Sydney, 26 October 2016



# Fairfield City Council

SPECIAL SCHEDULES  
for the year ended 30 June 2016

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*"...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 2016

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<b>Special Schedule 3</b>	Water Supply Operations – incl. Income Statement	n/a
<b>Special Schedule 4</b>	Water Supply – Statement of Financial Position	n/a
<b>Special Schedule 5</b>	Sewerage Service Operations – incl. Income Statement	n/a
<b>Special Schedule 6</b>	Sewerage Service – Statement of Financial Position	n/a
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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#### Background

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

## Fairfield City Council

Special Schedule 1 – Net Cost of Services  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>662</b>	–	–	<b>(662)</b>
<b>Administration</b>	<b>35,367</b>	<b>363</b>	<b>3,257</b>	<b>(31,747)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	2,716	135	–	<b>(2,581)</b>
Beach control	–	–	–	–
Enforcement of local government regulations	4,343	8,166	–	<b>3,823</b>
Animal control	318	149	–	<b>(169)</b>
Other	–	–	–	–
<b>Total public order and safety</b>	<b>7,377</b>	<b>8,450</b>	–	<b>1,073</b>
<b>Health</b>	<b>701</b>	<b>461</b>	–	<b>(240)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	373	510	–	<b>137</b>
Solid waste management	26,989	28,995	–	<b>2,006</b>
Street cleaning	4,121	64	–	<b>(4,057)</b>
Drainage	8,032	1,571	2,977	<b>(3,484)</b>
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>39,515</b>	<b>31,140</b>	<b>2,977</b>	<b>(5,398)</b>
<b>Community services and education</b>				
Administration and education	1,240	19	37	<b>(1,184)</b>
Social protection (welfare)	779	–	–	<b>(779)</b>
Aged persons and disabled	209	90	–	<b>(119)</b>
Children's services	10,594	9,717	–	<b>(877)</b>
<b>Total community services and education</b>	<b>12,822</b>	<b>9,826</b>	<b>37</b>	<b>(2,959)</b>
<b>Housing and community amenities</b>				
Public cemeteries	–	–	–	–
Public conveniences	79	–	–	<b>(79)</b>
Street lighting	2,712	845	–	<b>(1,867)</b>
Town planning	2,947	1,355	–	<b>(1,592)</b>
Other community amenities	278	–	–	<b>(278)</b>
<b>Total housing and community amenities</b>	<b>6,016</b>	<b>2,200</b>	–	<b>(3,816)</b>
<b>Water supplies</b>	–	–	–	–
<b>Sewerage services</b>	–	–	–	–

## Fairfield City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	8,111	645	200	(7,266)
Museums	534	138	–	(396)
Art galleries	102	4	–	(98)
Community centres and halls	2,248	671	–	(1,577)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	411	–	–	(411)
Sporting grounds and venues	1,723	563	59	(1,101)
Swimming pools	5,377	4,031	–	(1,346)
Parks and gardens (lakes)	3,144	237	662	(2,245)
Other sport and recreation	1,518	3,177	3,017	4,676
<b>Total recreation and culture</b>	<b>23,168</b>	<b>9,466</b>	<b>3,938</b>	<b>(9,764)</b>
<b>Fuel and energy</b>	–	–	–	–
<b>Agriculture</b>	–	–	–	–
<b>Mining, manufacturing and construction</b>				
Building control	823	659	–	(164)
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>823</b>	<b>659</b>	<b>–</b>	<b>(164)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,197	2,610	14,173	14,586
Urban roads – regional	1,966	–	–	(1,966)
Sealed rural roads (SRR) – local	9,291	–	–	(9,291)
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	581	–	–	(581)
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	3,328	1,877	267	(1,184)
Footpaths	2,485	169	22	(2,294)
Aerodromes	–	–	–	–
Other transport and communication	316	–	–	(316)
<b>Total transport and communication</b>	<b>20,164</b>	<b>4,656</b>	<b>14,462</b>	<b>(1,046)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	1,146	398	–	(748)
Other economic affairs	3,171	14,486	116	11,431
<b>Total economic affairs</b>	<b>4,317</b>	<b>14,884</b>	<b>116</b>	<b>10,683</b>
<b>Totals – functions</b>	<b>150,932</b>	<b>82,105</b>	<b>24,787</b>	<b>(44,040)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>88,454</b>		<b>88,454</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	–	<b>641</b>		<b>641</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>150,932</b>	<b>171,200</b>	<b>24,787</b>	<b>45,055</b>

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

## Fairfield City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)  
for the year ended 30 June 2016

Classification of debt	Principal outstanding at beginning of the year		New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current		From revenue	Sinking funds			Current	Non-current	Total
<b>Loans (by source)</b>										
Commonwealth government	-	-	-	-	-	-	-	-	-	
Treasury corporation	-	-	-	-	-	-	-	-	-	
Other state government	-	-	-	-	-	-	-	-	-	
Public subscription	-	-	-	-	-	-	-	-	-	
Financial institutions	313	1,078	-	313	-	-	49	322	756	
Other	-	-	-	-	-	-	-	-	-	
<b>Total loans</b>	<b>313</b>	<b>1,078</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>322</b>	<b>756</b>	
<b>Other long term debt</b>										
Ratepayers advances	-	-	-	-	-	-	-	-	-	
Government advances	-	-	-	-	-	-	-	-	-	
Finance leases	-	-	-	-	-	-	-	-	-	
Deferred payments	-	-	-	-	-	-	-	-	-	
<b>Total long term debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total debt</b>	<b>313</b>	<b>1,078</b>	<b>-</b>	<b>313</b>	<b>-</b>	<b>-</b>	<b>49</b>	<b>322</b>	<b>756</b>	

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

Fairfield City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

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	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	6,729	–	8,866	5,933	153,339	286,231	31.5%	42.2%	23.7%	1.4%	1.2%
	<b>Sub-total</b>	<b>6,729</b>	<b>–</b>	<b>8,866</b>	<b>5,933</b>	<b>153,339</b>	<b>286,231</b>	<b>31.5%</b>	<b>42.2%</b>	<b>23.7%</b>	<b>1.4%</b>	<b>1.2%</b>
<b>Other structures</b>	Park infrastructure	1,515	–	3,172	2,583	14,674	24,295	21.7%	62.5%	7.8%	5.5%	2.5%
	<b>Sub-total</b>	<b>1,515</b>	<b>–</b>	<b>3,172</b>	<b>2,583</b>	<b>14,674</b>	<b>24,295</b>	<b>21.7%</b>	<b>62.5%</b>	<b>7.8%</b>	<b>5.5%</b>	<b>2.5%</b>
<b>Roads</b>	Sealed roads	9,693	–	14,181	21,113	375,944	589,839	35.4%	42%	20.2%	1.8%	0.2%
	Bridges	24	–	268	159	40,380	47,093	57.5%	38.1%	3.9%	0.5%	0.0%
	Footpaths	720	–	1,951	1,469	95,331	110,974	43.9%	33%	22.3%	0.7%	0.1%
	Other Road Assets	264	–	470	309	146,259	32,259	61.6%	28.9%	8.3%	1.1%	0.1%
	Bulk earthworks	–	–	–	–	23,814	23,814	–	–	–	–	100%
	<b>Sub-total</b>	<b>10,701</b>	<b>–</b>	<b>16,870</b>	<b>23,050</b>	<b>681,728</b>	<b>803,979</b>	<b>37.9%</b>	<b>39.1%</b>	<b>18.5%</b>	<b>1.5%</b>	<b>3.1%</b>
<b>Stormwater drainage</b>	Stormwater drainage	402	–	843	629	205,321	250,409	36%	56%	7%	0%	0%
	<b>Sub-total</b>	<b>402</b>	<b>–</b>	<b>843</b>	<b>629</b>	<b>205,321</b>	<b>250,409</b>	<b>36.0%</b>	<b>56.4%</b>	<b>7.3%</b>	<b>0.1%</b>	<b>0.2%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>19,347</b>	<b>–</b>	<b>29,751</b>	<b>32,195</b>	<b>1,055,062</b>	<b>1,364,914</b>	<b>35.9%</b>	<b>43.3%</b>	<b>17.3%</b>	<b>1.3%</b>	<b>2.2%</b>

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required

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

## Fairfield City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>42,781</u>	<b>188.14%</b>	66.89%	64.81%
Depreciation, amortisation and impairment	<u>22,739</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>19,347</u>	<b>1.88%</b>	1.87%	4.45%
Carrying value of infrastructure assets	<u>1,031,248</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>32,195</u>	<b>1.08</b>	0.95	0.93
Required asset maintenance	<u>29,751</u>			
<b>4. Capital expenditure ratio</b>				
Annual capital expenditure	<u>54,918</u>	<b>1.92</b>	1.47	1.57
Annual depreciation	<u>28,544</u>			

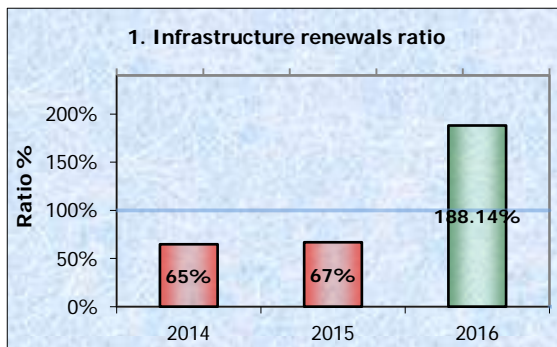
## Notes

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

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

# Fairfield City Council

## Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



**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.

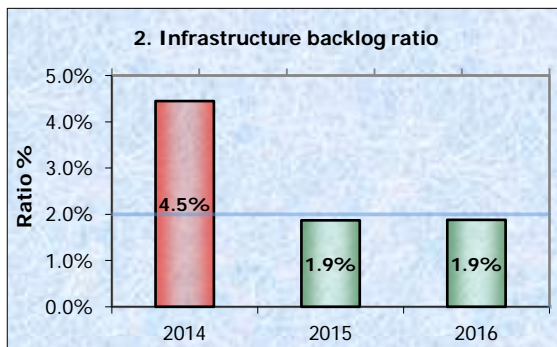
**Commentary on 2015/16 result**

**2015/16 Ratio 188.14%**

Council's Building & Infrastructure renewals ratio is 1.88 which is higher than Tcorp bench mark of 1. This means the council is funding sufficiently to renew its assets.

Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of infrastructure backlog ratio**

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

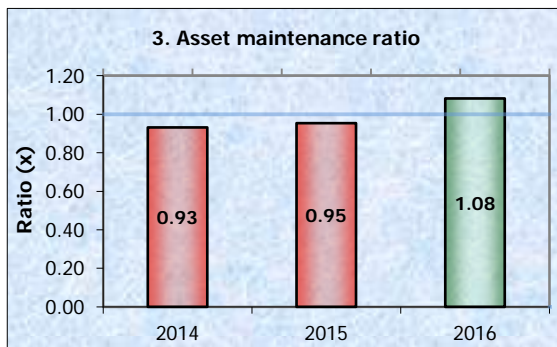
**Commentary on 2015/16 result**

**2015/16 Ratio 1.88%**

Council's Infrastructure backlog ratio is 1.88 which is lower than TCorp benchmark of 2%. This means council has no major backlog of renewals on infrastructure.

Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of asset maintenance ratio**

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

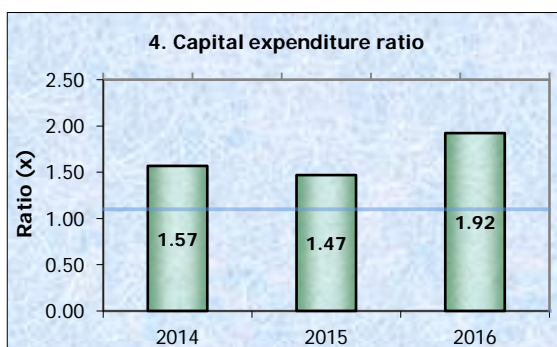
**Commentary on 2015/16 result**

**2015/16 Ratio 1.08 x**

Council's asset maintenance ratio is 1.08 which is higher than Tcorp benchmark of 1. This means council is funding enough in asset maintenance to stop the infrastructure backlog growing.

Benchmark: — Minimum  $> 1.00$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



**Purpose of capital expenditure ratio**

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**Commentary on 2015/16 result**

**2015/16 Ratio 1.92 x**

Council's capital expenditure ratio is 1.92 compared to Tcorp bench mark of 1.1. This ratio shows that the council is spending on capital expenditure is at adequate level.

Benchmark: — Minimum  $> 1.10$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark  
■ Ratio is outside benchmark



## Fairfield City Council

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	75,401	77,307
Plus or minus adjustments <sup>(2)</sup>	b	115	173
<b>Notional general income</b>	c = (a + b)	<b>75,516</b>	<b>77,480</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	1,812	1,395
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>77,328</b>	<b>78,875</b>
Plus (or minus) last year's carry forward total	l	(4)	0
Less valuation objections claimed in the previous year	m	(36)	(19)
<b>Sub-total</b>	n = (l + m)	<b>(40)</b>	<b>(19)</b>
<b>Total permissible income</b>	o = k + n	<b>77,288</b>	<b>78,856</b>
Less notional general income yield	p	77,307	78,856
<b>Catch-up or (excess) result</b>	q = o – p	<b>(19)</b>	<b>(0)</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	19	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>0</b>	<b>(0)</b>

**Notes**

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



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## **FAIRFIELD CITY COUNCIL**

### **Special Schedule No. 8**

### **Independent Auditors' Report to the Council for the Year ending 30 June 2017**

#### **Report on Special Schedule No. 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Fairfield City Council for the year ending 30 June 2017.

#### **Responsibility of Council for Special Schedule No. 8**

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's Responsibilities**

Our responsibility is to express an opinion on Special Schedule No. 8 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

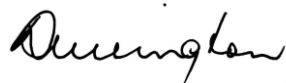
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Auditor's Opinion**

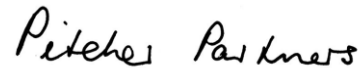
In our opinion, Special Schedule No. 8 of Fairfield City Council for the year ending 30 June 2017 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

#### **Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income for the year ending 30 June 2017 is presented fairly. As a result, the schedule may not be suitable for another purpose.



CARL MILLINGTON  
Partner



PITCHER PARTNERS  
Sydney, 26 October 2016

# Fairfield City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016

---

*"...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 2016

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

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#### Background

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

# Fairfield City Council

## Special Purpose Financial Statements

for the year ended 30 June 2016

### 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:**

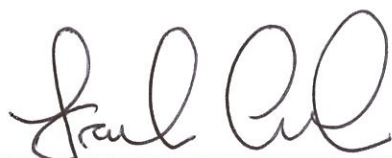
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

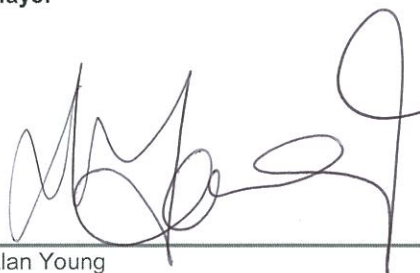
**Signed in accordance with a resolution of Council made on 25 October 2016.**



Frank Carbone  
Mayor



Kien Ly  
Councillor



Alan Young  
General manager



Bradley Cutts  
Responsible accounting officer

## Fairfield City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Sustainable  
Resource Centre

Category 1

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	–	–
User charges	10,743	6,583
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	44	107
Profit from the sale of assets	–	–
Other income	–	38
<b>Total income from continuing operations</b>	<b>10,787</b>	<b>6,728</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,136	1,086
Borrowing costs	–	–
Materials and contracts	6,321	5,039
Depreciation and impairment	344	450
Loss on sale of assets	–	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Internal recharges	791	(750)
Other expenses	–	–
<b>Total expenses from continuing operations</b>	<b>8,592</b>	<b>5,825</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>2,195</b>	<b>903</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,195</b>	<b>903</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>2,195</b>	<b>903</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(659)	(271)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,537</b>	<b>632</b>
<b>Plus opening retained profits</b>	<b>3,885</b>	<b>2,982</b>
<b>Plus/less: prior period adjustments</b>	<b>–</b>	<b>–</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	659	271
<b>Add:</b>		
– Subsidy paid/contribution to operations	–	–
<b>Less:</b>		
– TER dividend paid	–	–
– Dividend paid	–	–
<b>Closing retained profits</b>	<b>6,080</b>	<b>3,885</b>
<b>Return on capital %</b>	<b>24.2%</b>	<b>10.6%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>



## Fairfield City Council

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

as at 30 June 2016

Sustainable Resource  
Centre  
Category 1

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	1,983	1,983
Receivables	1,897	1,346
Inventories	15	26
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>3,895</b>	<b>3,355</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	9,070	8,500
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
<b>Total non-current assets</b>	<b>9,070</b>	<b>8,500</b>
<b>TOTAL ASSETS</b>	<b>12,965</b>	<b>11,855</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	1,032	2,117
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>1,032</b>	<b>2,117</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>1,032</b>	<b>2,117</b>
<b>NET ASSETS</b>	<b>11,933</b>	<b>9,738</b>
<b>EQUITY</b>		
Retained earnings	6,080	3,885
Revaluation reserves	5,853	5,853
Council equity interest	11,933	9,738
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>11,933</b>	<b>9,738</b>

## Fairfield City Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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

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

## Fairfield City Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

#### Note 1. Significant accounting policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

The disclosures in the SPFS 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 also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 government policy statement, *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 standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

##### **Sustainable Resource Centre**

*Facility for recycling used road materials*

##### Category 2

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

**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 in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council-nominated business activities and are reflected in these financial statements.

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

## Fairfield City Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

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

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

While 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 or loss from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

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

##### Local government rates 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 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 rate of return on capital is calculated as follows:

##### Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.17% at 30/6/16.

## Fairfield City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

---

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

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

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



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**FAIRFIELD CITY COUNCIL**  
**Special Purpose Financial Report**  
**Independent Auditors' Report to the Council for the Year ended 30 June 2016**

**Report on the Financial Statements of Council's Declared Business Activities**

We have audited the accompanying financial statements, being special purpose financial statements, of Fairfield City Council's declared business activities, which comprises the statement of financial position as at 30 June 2016 and the income statement for the year then ended, a summary of significant accounting policies, and other explanatory notes and the Statement by Councillors and Management.

*Council's Responsibilities for the Financial Statements*

Council is responsible for the preparation and fair presentation of the financial statements and has determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to their needs. Council's responsibility also includes such internal controls as the Council determines are necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibilities*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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

#### **Auditor's Opinion**

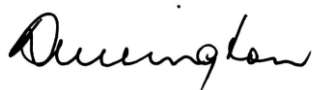
In our opinion, the financial statements present fairly, in all material respects, the financial position of Fairfield City Council as of 30 June 2016 and of its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the special purpose financial statements.

#### **Basis of Accounting**

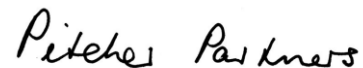
Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the New South Wales Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial statements to which it relates to any person other than the Council or the New South Wales Office of Local Government, or for any purpose other than that for which it was prepared.

#### **Other Matter**

Fairfield City Council has prepared a separate financial report for the year ended 30 June 2016 in accordance with Australian Accounting Standards and the Code of Accounting Practice and Financial Reporting on which we issued a separate auditor's report to the Council dated 26 October 2016.



CARL MILLINGTON  
Partner



PITCHER PARTNERS  
Sydney, 26 October 2016