

Fairfield City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

"...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 2019

Contents	Page
Understanding Council's Financial Statements	2
Statement by Councillors and Management	3
Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
Notes to the Financial Statements	9
Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	89
– On the Conduct of the Audit (Sect 417 [3])	93

Overview

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

86 Avoca Road
WAKELEY NSW 2176

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

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

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

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

Fairfield City Council

General Purpose Financial Statements for the year ended 30 June 2019

Understanding Council's financial statements

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 2019.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment (IPP&E).

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Fairfield City Council

General Purpose Financial Statements for the year ended 30 June 2019

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 22 October 2019.



Frank Carbone
Mayor
22 October 2019



Peter Grippaudo
Councillor
22 October 2019



Alan Young
General Manager
22 October 2019



Lachlan Gunn
Responsible Accounting Officer
22 October 2019

Fairfield City Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual ¹ 2018
Income from continuing operations				
Revenue:				
111,864	Rates and annual charges	3a	113,840	110,854
17,950	User charges and fees	3b	18,238	18,834
3,263	Interest and investment revenue	3c	4,224	3,621
21,180	Other revenues	3d	25,919	23,001
22,283	Grants and contributions provided for operating purposes	3e,f	20,266	19,234
14,279	Grants and contributions provided for capital purposes	3e,f	16,426	11,615
Other income:				
–	Net gains from the disposal of assets	5	215	–
–	associates using the equity method	16	759	957
190,819	Total income from continuing operations		199,887	188,116
Expenses from continuing operations				
75,300	Employee benefits and on-costs	4a	74,943	71,955
21	Borrowing costs	4b	11	20
32,108	Materials and contracts	4c	29,606	29,717
31,890	Depreciation and amortisation	4d	29,672	29,071
33,326	Other expenses	4e	31,852	30,212
–	Net losses from the disposal of assets	5	–	1,485
172,645	Total expenses from continuing operations		166,084	162,460
18,174	Operating result from continuing operations		33,803	25,656
18,174	Net operating result for the year		33,803	25,656
18,174	Net operating result attributable to Council		33,803	25,656
3,895	Net operating result for the year before grants and contributions provided for capital purposes		17,377	14,041

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

Fairfield City Council

Statement of Comprehensive Income
for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		33,803	25,656
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	–	123,361
Other comprehensive income – joint ventures and associates	16	(1)	–
Total items which will not be reclassified subsequently to the operating result		(1)	123,361
Total other comprehensive income for the year		(1)	123,361
Total comprehensive income for the year		33,802	149,017
Total comprehensive income attributable to Council		33,802	149,017

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

Fairfield City Council

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalents	6a	32,953	37,399
Investments	6b	52,227	49,228
Receivables	7	12,872	10,103
Inventories	8	577	580
Other	8	1,259	1,066
Total current assets		99,888	98,376
Non-current assets			
Investments	6b	54,600	52,000
Infrastructure, property, plant and equipment	9	1,927,089	1,894,682
Investment property	10	13,921	13,874
Intangible assets	11	487	568
Investments accounted for using the equity method	16	7,707	6,949
Total non-current assets		2,003,804	1,968,073
TOTAL ASSETS		2,103,692	2,066,449
LIABILITIES			
Current liabilities			
Payables	12	23,138	20,548
Borrowings	12	113	252
Provisions	13	18,918	18,478
Total current liabilities		42,169	39,278
Non-current liabilities			
Borrowings	12	59	172
Provisions	13	3,779	3,116
Total non-current liabilities		3,838	3,288
TOTAL LIABILITIES		46,007	42,566
Net assets		2,057,685	2,023,883
EQUITY			
Accumulated surplus	14	851,177	817,375
Revaluation reserves	14	1,206,508	1,206,508
Total equity		2,057,685	2,023,883

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

Fairfield City Council

Statement of Changes in Equity

for the year ended 30 June 2019

1

2018

2019

	Notes	Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		817,375	1,206,508	2,023,883	791,719	1,083,147	1,874,866
Net operating result for the year		33,803	-	33,803	25,656	-	25,656
Net operating result for the year		33,803	-	33,803	25,656	-	25,656
Other comprehensive income							
- Gain (loss) on revaluation of IPP&E	9a	-	-	-	-	123,361	123,361
- Joint ventures and associates	16	(1)	-	(1)	-	-	-
Other comprehensive income		(1)	-	(1)	-	123,361	123,361
Total comprehensive income (c&d)		33,802	-	33,802	25,656	123,361	149,017
Equity – balance at end of the reporting period		851,177	1,206,508	2,057,685	817,375	1,206,508	2,023,883

¹ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

Fairfield City Council

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
Receipts:				
110,914	Rates and annual charges		112,930	108,821
17,594	User charges and fees		18,238	18,834
3,184	Investment and interest revenue received		4,146	3,674
21,809	Grants and contributions		36,692	34,269
–	Bonds, deposits and retention amounts received		296	123
21,180	Other		37,005	32,467
Payments:				
(75,288)	Employee benefits and on-costs		(74,494)	(72,321)
(30,715)	Materials and contracts		(28,555)	(32,613)
(21)	Borrowing costs		(11)	(21)
(33,326)	Other		(43,011)	(37,208)
35,331	Net cash provided (or used in) operating activities	15b	63,236	56,025
Cash flows from investing activities				
Receipts:				
735	Sale of infrastructure, property, plant and equipment		962	1,161
–	Distributions received from joint ventures and associates		–	407
Payments:				
–	Purchase of investment securities		(5,600)	(32,200)
–	Purchase of investment property		(47)	(39)
(61,943)	Purchase of infrastructure, property, plant and equipment		(62,826)	(42,532)
–	Purchase of intangible assets		81	–
(61,208)	Net cash provided (or used in) investing activities		(67,430)	(73,203)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(252)	Repayment of borrowings and advances		(252)	(332)
(252)	Net cash flow provided (used in) financing activities		(252)	(332)
(26,129)	Net increase/(decrease) in cash and cash equivalents		(4,446)	(17,510)
37,399	Plus: cash and cash equivalents – beginning of year	15a	37,399	54,909
11,270	Cash and cash equivalents – end of the year	15a	32,953	37,399
Additional Information:				
	plus: Investments on hand – end of year	6b	106,827	101,228
	Total cash, cash equivalents and investments		139,780	138,627

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Basis of preparation	10
2(a)	Council functions/activities – financial information	15
2(b)	Council functions/activities – component descriptions	17
3	Income from continuing operations	22
4	Expenses from continuing operations	29
5	Gain or loss from the disposal, replacement and de-recognition of assets	33
6(a)	Cash and cash equivalent assets	33
6(b)	Investments	34
6(c)	Restricted cash, cash equivalents and investments – details	37
7	Receivables	38
8	Inventories and other assets	40
9(a)	Infrastructure, property, plant and equipment	41
9(b)	Externally restricted infrastructure, property, plant and equipment	44
10	Investment property	45
11	Intangible assets	46
12	Payables and borrowings	47
13	Provisions	50
14	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	52
15	Statement of cash flows – additional information	53
16	Interests in other entities	53
17	Commitments	56
18	Contingencies and other liabilities/assets not recognised	57
19	Financial risk management	62
20	Material budget variations	67
21	Fair value measurement	69
22	Related party transactions	75
23	Events occurring after the reporting date	75
24	Statement of developer contributions	76
25(a)	Statement of performance measures – consolidated results	85
Additional council disclosures (unaudited)		
25(b)	Statement of performance measures – consolidated results (graphs)	86
26	Council information and contact details	88

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22/10/2019.

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

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

Basis of preparation

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

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

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result in almost all operating leases being recognised on the statement of financial position by Council with the distinction between operating and finance leases removed.

Under the new standard, a financial liability and a right-of-use asset will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16.

AASB 16 will affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$1,711,000 - refer Note 17.

Of these commitments, approximately \$698,334 relate to low value leases which will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$1,012,665, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$880,023 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$880,023 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets (as at 1 July 2019) will be approximately \$880,023 lower while net current assets will be \$880,023 lower due to the presentation of a portion of the lease liability as a current liability.

Operating cash flows will increase and financing cash flows decrease by approximately \$14,675 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council does not expect any significant impact on the financial statements arising from its activities as a lessor. However, some additional disclosures will be required from next year.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosure about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example service revenue and contract modifications), and improve guidance for multiple element arrangements.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB15 is expected to be \$419,312 mainly pertaining to a number of specific performance operation grants received from State and other granting bodies during the year.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions. This standard is effective for annual reporting periods beginning on or after 1 January 2019, ie the council financial statements for the year ending 30 June 2020.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standards (eg. AASB 116 Property Plant and Equipment).

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The specific impact of AASB1058 for Council is expected to be \$6,153,031 based on analysis of operational and capital grants received from Federal, State government and other granting bodies during the year.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

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

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Asset Management - Civil & Built	3,809	6,193	22,088	19,595	(18,279)	(13,402)	3,484	5,854	1,234,419	1,222,930
Asset Management - Open Space	1,099	425	4,360	4,553	(3,261)	(4,128)	813	157	125,551	124,623
Building Control and Compliance	901	896	2,958	3,067	(2,057)	(2,171)	-	-	-	-
Catchment Management	1,618	1,935	1,967	1,859	(349)	76	78	417	4,846	4,848
Children and Family Services	11,587	10,606	10,766	10,559	821	47	4,180	3,701	17,179	16,454
City Connect Bus	41	16	34	144	7	(128)	-	-	92	(35)
Communications	4	5	1,690	1,200	(1,686)	(1,195)	-	-	24	202
Community Enforcement and Regulation	8,244	7,102	3,400	3,547	4,844	3,555	-	-	209	209
Community Facilities	772	801	2,626	3,007	(1,854)	(2,206)	26	-	33,912	33,801
Corporate Planning and Improvements	-	-	460	700	(460)	(700)	-	-	8	8
Customer Service Admin Building	4	6	877	932	(873)	(926)	-	-	1	1
Design Surveying	4,489	1,317	1,290	1,210	3,199	107	4,485	1,139	3,524	3,506
Development Planning	832	928	2,203	2,281	(1,371)	(1,353)	-	-	-	-
Emergency Risk Management	73	73	2,006	2,112	(1,933)	(2,039)	79	79	589	634
Enterprise Risk Management	-	-	1,863	1,718	(1,863)	(1,718)	-	-	-	-
Environment and Public Health	449	442	1,157	1,133	(708)	(691)	-	-	99	99
Financial Sustainability	122	141	3,552	3,558	(3,430)	(3,417)	-	-	568	585
Governance & Civic Centre	5	4	1,486	1,495	(1,481)	(1,491)	-	-	16	18
Human Services	-	-	3,450	2,637	(3,450)	(2,637)	-	-	3	4
Information Technology (IT)	-	-	6,207	6,741	(6,207)	(6,741)	-	-	2,263	1,596
Infrastructure Construction and Maintenance	1,406	1,201	12,776	6,713	(11,370)	(5,512)	496	485	69,315	69,995
Internal Audit	-	-	221	185	(221)	(185)	-	-	-	-
Leisure Centres	11,720	8,572	14,634	15,757	(2,914)	(7,185)	2,893	2	79,877	59,016

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Library	712	648	7,152	7,170	(6,440)	(6,522)	578	513	17,170	14,985
Major Projects and Construction Contracts Management	–	–	1,431	600	(1,431)	(600)	–	–	3,932	3,630
Museum and Gallery	126	143	638	733	(512)	(590)	80	94	3,985	3,923
Parks and Gardens	49	16	3,689	1,216	(3,640)	(1,200)	–	–	17,765	17,906
Place Management and Economic Development	390	515	2,601	(117)	(2,211)	632	14	93	1,664	3,587
Procurement	179	13	2,321	912	(2,142)	(899)	–	–	2,245	2,517
Property	7,930	8,107	4,001	4,378	3,929	3,729	–	–	61,715	62,865
Property Development Fund	1,133	1,102	391	146	742	956	–	–	3,195	3,810
Records and Information Management	–	–	1,418	1,444	(1,418)	(1,444)	–	–	–	–
Showground and Golf Course	1,371	1,515	737	743	634	772	–	–	4,885	4,899
Social and Cultural Development	507	509	2,617	2,459	(2,110)	(1,950)	458	477	16	91
Strategic Land Use Planning	1,220	494	1,529	1,279	(309)	(785)	768	22	–	–
Street and Public Amenities Cleaning	779	706	5,726	4,550	(4,947)	(3,844)	–	–	57	208
Sustainable Resource Centre	5,537	4,678	2,867	2,839	2,670	1,839	–	–	11,716	10,594
Traffic, Transport and Road Safety	–	–	313	325	(313)	(325)	–	–	94	106
Waste Education and Environment Sustainability	357	378	2,510	2,017	(2,153)	(1,639)	256	291	(1,383)	(1,067)
Waste Management	31,166	30,122	20,417	22,910	10,749	7,212	–	628	2,789	3,103
Corporate Services	101,256	98,507	3,655	14,153	97,601	84,354	7,335	6,633	401,352	396,798
Total functions and activities	199,887	188,116	166,084	162,460	33,803	25,656	26,023	20,585	2,103,692	2,066,449

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Asset Management - Civil & Built

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

Asset Management - Open Space

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

Building Control and Compliance

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

Catchment Management

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

Children and Family Services

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

City Connect Bus

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

Communications

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

Community Enforcement and Regulation

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

Community Facilities

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

Corporate Planning and Improvements

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Customer Service Admin Building

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

Design Surveying

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

Development Planning

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

Emergency Risk Management

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

Enterprise Risk Management

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

Environment and Public Health

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

Financial Sustainability

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

Governance & Civic Centre

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

Human Services

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

Information Technology (IT)

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Infrastructure Construction and Maintenance

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

Internal Audit

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

Leisure Centres

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

Library

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

Major Projects and Construction Contracts Management

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

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

Museum and Gallery

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

Parks and Gardens

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

Place Management and Economic Development

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Procurement

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

Property

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

Property Development Fund

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

Records and Information Management

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

Showground and Golf Course

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

Social and Cultural Development

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

Strategic Land Use Planning

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

Street and Public Amenities Cleaning

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

Sustainable Resource Centre

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

Traffic, Transport and Road Safety

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Waste Education and Environment Sustainability

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

Waste Management

Manage domestic and commercial waste services across Fairfield City.

Corporate Services

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

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	48,959	47,433
Farmland	226	216
Business	32,977	32,409
Less: pensioner rebates (mandatory)	(1,985)	(1,965)
Rates levied to ratepayers	80,177	78,093
Pensioner rate subsidies received	1,715	1,697
Total ordinary rates	81,892	79,790
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	31,482	30,599
Drainage	1,518	1,514
Section 611 charges	102	104
Less: pensioner rebates (mandatory)	(1,154)	(1,153)
Total annual charges	31,948	31,064
TOTAL RATES AND ANNUAL CHARGES	113,840	110,854

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

Accounting policy for rates and annual charges

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	128	115
Waste management services (non-domestic)	636	594
Total specific user charges	764	709
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	184	161
Planning and building regulation	676	772
Regulatory fees	2,103	1,965
Section 10.7 certificates (EP&A Act)	306	362
Total fees and charges – statutory/regulatory	3,269	3,260
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Child care	3,337	3,862
Entry fees	4,172	3,908
Fairfield showground	1,469	1,528
Golf course	115	123
Library	132	131
Park rents	206	195
Recreation facilities	4,774	5,118
Total fees and charges – other	14,205	14,865
TOTAL USER CHARGES AND FEES	18,238	18,834

Accounting policy for user charges and fees

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	326	291
– Cash and investments	3,899	3,276
Fair value adjustments		
– Movements in investments at fair value through profit and loss	(1)	54
TOTAL INTEREST AND INVESTMENT REVENUE	4,224	3,621
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	326	291
General Council cash and investments	2,606	2,336
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	1,269	973
– Section 64	23	21
Total interest and investment revenue recognised	4,224	3,621

Accounting policy for interest and investment revenue

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

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	10	1,078	820
Rental income – other council properties		6,345	5,650
Fines		8,435	7,292
Legal fees recovery – rates and charges (extra charges)		244	288
Car park operations		2,995	2,895
Commissions and agency fees		290	140
Insurance claims recoveries		232	145
Recycling income (non-domestic)		5,664	4,760
Lease termination fee		–	952
Other		636	59
<u>TOTAL OTHER REVENUE</u>		<u>25,919</u>	<u>23,001</u>

Accounting policy for other revenue

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

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

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance	9,074	8,943	–	–
Total general purpose	9,074	8,943	–	–
Specific purpose				
Bushfire and emergency services	79	79	–	–
Community care	1,210	1,193	–	–
Heritage and cultural	18	12	–	–
Library	3,392	3,108	–	–
Recreation and culture	80	84	62	35
Street lighting	989	951	–	–
Transport (other roads and bridges funding)	–	–	5,132	2,536
Other	1,667	1,490	4,320	2,154
Total specific purpose	7,435	6,917	9,514	4,725
Total grants	16,509	15,860	9,514	4,725
Grant revenue is attributable to:				
– Commonwealth funding	9,088	10,931	98	1,674
– State funding	7,289	4,910	9,416	3,003
– Other funding	132	19	–	48
	16,509	15,860	9,514	4,725
(f) Contributions				
Developer contributions:				
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):				
Cash contributions				
S 7.11 – contributions towards amenities/services	–	–	6,912	6,890
Total developer contributions – cash	–	–	6,912	6,890
Total developer contributions	–	–	6,912	6,890

24

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019 Operating	2018 Operating	2019 Capital	2018 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Child care	3,474	3,035	–	–
RMS contributions (regional roads, block grant)	227	283	–	–
Other	56	56	–	–
Total other contributions – cash	3,757	3,374	–	–
Total other contributions	3,757	3,374	–	–
Total contributions	3,757	3,374	6,912	6,890
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>20,266</u>	<u>19,234</u>	<u>16,426</u>	<u>11,615</u>

Accounting policy for grants and contributions

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

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

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

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	4,711	4,633
Add: operating grants recognised as income in the current period but not yet spent	619	401
Less: operating grants recognised in a previous reporting period now spent	(902)	(323)
Unexpended and held as restricted assets (operating grants)	<u>4,428</u>	<u>4,711</u>
Capital grants		
Unexpended at the close of the previous reporting period	3,040	3,609
Add: capital grants recognised as income in the current period but not yet spent	3,582	48
Less: capital grants recognised in a previous reporting period now spent	(633)	(617)
Unexpended and held as restricted assets (capital grants)	<u>5,989</u>	<u>3,040</u>
Contributions		
Unexpended at the close of the previous reporting period	45,619	37,810
Add: contributions recognised as income in the current period but not yet spent	7,995	7,885
Less: contributions recognised in a previous reporting period now spent	(508)	(76)
Unexpended and held as restricted assets (contributions)	<u>53,106</u>	<u>45,619</u>
Developers contribution not yet spend.		

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	55,213	53,666
Travel expenses	14	15
Employee leave entitlements (ELE)	8,929	8,348
Superannuation	6,592	6,513
Workers' compensation insurance	1,095	397
Fringe benefit tax (FBT)	124	98
Training costs (other than salaries and wages)	402	352
Protective clothing	225	239
Temporary contract labour	4,753	4,854
Other	126	97
Total employee costs	77,473	74,579
Less: capitalised costs	(2,530)	(2,624)
TOTAL EMPLOYEE COSTS EXPENSED	74,943	71,955

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

(b) Borrowing costs

	2019	2018
(i) Interest bearing liability costs		
Interest on loans	11	20
Total interest bearing liability costs expensed	11	20
TOTAL BORROWING COSTS EXPENSED	11	20

Accounting policy for borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	16,479	16,051
Contractor and consultancy costs	1,827	1,492
Auditors remuneration ⁽²⁾	201	218
Legal expenses:		
– Legal expenses: other	987	1,021
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	986	1,383
Fuels	1,540	1,498
Increase/decrease stock valuation	8	(3)
Information technology	2,144	2,455
Materials fleet running expenses	6,283	5,892
Stock write off	39	(2)
Trading requirement stock	161	185
Total materials and contracts	30,655	30,190
Less: capitalised costs	(1,049)	(473)
TOTAL MATERIALS AND CONTRACTS	29,606	29,717
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Computers	784	930
Other	202	453
	986	1,383
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	162	204
Remuneration for audit and other assurance services	162	204
Total Auditor-General remuneration	162	204
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	39	14
Remuneration for audit and other assurance services	39	14
Total remuneration of non NSW Auditor-General audit firms	39	14
Total Auditor remuneration	201	218

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		3,087	3,079
Office equipment		106	342
Furniture and fittings		24	20
Infrastructure:			
– Buildings – non-specialised		7,324	6,392
– Roads		9,639	10,575
– Bridges		539	536
– Footpaths		2,079	1,936
– Stormwater drainage		1,742	1,711
– Kerb and gutter		2,396	2,303
– Park infrastructure		1,205	1,206
Other assets:			
– Library books		141	107
– Other		1,309	804
Intangible assets	11	81	60
Total depreciation and amortisation costs		29,672	29,071
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		29,672	29,071

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 11 for intangible assets.

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

Impairment of non-financial assets

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

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising (general)	546	529
Advertising (positions vacant)	9	31
Bad and doubtful debts	49	9
Children services	129	138
Commission / rebate	755	839
Conferences	222	260
Consumables	215	154
Contributions/levies to other levels of government		
– Board of fire commission	1,798	1,888
– Corporation sole EPA act	599	592
– NSW waste and recycling services	13,984	13,501
Councillor expenses – mayoral fee	83	81
Councillor expenses – councillors' fees	372	363
Councillors' expenses (incl. mayor) – other (excluding fees above)	64	61
Donations, contributions and assistance to other organisations (Section 356)	65	67
Electricity and heating	2,003	1,804
Equipment less than \$1,000	538	386
Financial charges	279	236
Insurance	1,596	1,407
Photocopier operating costs	91	95
Postage	719	762
Printing and stationery	423	302
Publicity and promotion	756	600
Rates collection	7	7
Street lighting	3,211	2,883
Subscriptions and publications	720	691
Telephone and communications	550	587
Valuation fees	383	403
Water rates	857	928
Other	829	608
<u>TOTAL OTHER EXPENSES</u>	<u>31,852</u>	<u>30,212</u>

Accounting policy for other expenses

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)	9		
Less: carrying amount of property assets sold/written off		–	(1,992)
Net gain/(loss) on disposal		–	(1,992)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		962	1,161
Less: carrying amount of plant and equipment assets sold/written off		(747)	(654)
Net gain/(loss) on disposal		215	507
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		215	(1,485)

Accounting policy for disposal of assets

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

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,667	2,211
Cash-equivalent assets		
– Deposits at call	31,286	35,188
Total cash and cash equivalents	32,953	37,399

Accounting policy for cash and cash equivalents

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	227	–	228	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)				
	52,000	54,600	49,000	52,000
Total investments	52,227	54,600	49,228	52,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	85,180	54,600	86,627	52,000
Financial assets at fair value through the profit and loss				
Aust mortgaged backed securities	227	–	228	–
Total	227	–	228	–
Financial assets at amortised cost / held to maturity (2018)				
Floating Rate Note	3,000	49,100	–	52,000
Term deposits	49,000	5,500	49,000	–
Total	52,000	54,600	49,000	52,000

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial Assets

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

Classification

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

- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income – equity instrument

Financial assets are not reclassified subsequent to their initial recognition.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments (continued)

Accounting policy under AASB 9 – applicable from 1 July 2018

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in Australian mortgaged backed securities

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy for investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the Income Statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Impairment of financial assets

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	85,180	54,600	86,627	52,000
attributable to:				
External restrictions (refer below)	53,490	54,600	37,945	52,000
Internal restrictions (refer below)	23,552	–	21,964	–
Unrestricted	8,138	–	26,718	–
	85,180	54,600	86,627	52,000

\$ '000	2019		2018	
Details of restrictions				
External restrictions – other				
Developer contributions – general			53,106	45,619
Specific purpose unexpended grants			10,417	7,751
Domestic waste management			39,778	32,565
Stormwater management			4,046	3,297
Voluntary purchase reserve			743	713
External restrictions – other			108,090	89,945
Total external restrictions			108,090	89,945
Internal restrictions				
Car park assets			7,223	6,752
Future capital works			1,079	1,124
Museum reserve			21	21
Property development			5,032	5,881
Sister city committee			105	105
Special Rate Variance reserve			7,454	5,094
Sustainable resource centre plant reserve			–	884
Sustainable resource centre site development			22	66
Town funds			2,116	2,037
Other			500	–
Total internal restrictions			23,552	21,964
TOTAL RESTRICTIONS			131,642	111,909

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	5,187	–	4,239	–
Accrued revenues				
– Interest on investments	845	–	766	–
– Other income accruals	1,162	–	379	–
Net GST receivable	1,784	–	1,511	–
Other debtors	4,601	–	3,898	–
Total	13,579	–	10,793	–
Less: provision for impairment				
Rates and annual charges	(462)	–	(424)	–
Other debtors	(245)	–	(266)	–
Total provision for impairment – receivables	(707)	–	(690)	–
TOTAL NET RECEIVABLES	12,872	–	10,103	–

There are no restrictions applicable to the above assets.

Movement in provision for impairment of receivables

	2019	2018
Balance at the beginning of the year (calculated in accordance with AASB 139)	690	681
– previous impairment losses reversed	17	9
Balance at the end of the year	707	690

Accounting policy for receivables**Recognition and measurement**

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

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

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

Impairment**Accounting policy under AASB 9 applicable from 1 July 2018**

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables (continued)

When considering the expected credit loss (ECL) for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

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

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

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

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

None of the receivables that have been written off are subject to enforcement activity.

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

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Rates and annual charges outstanding are secured against the property.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	493	–	487	–
Trading stock	84	–	93	–
Total inventories at cost	577	–	580	–
TOTAL INVENTORIES	577	–	580	–
(b) Other assets				
Prepayments	1,259	–	1,066	–
TOTAL OTHER ASSETS	1,259	–	1,066	–

Externally restricted assets

There are no restrictions applicable to the above assets.

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2018			Asset movements during the reporting period					as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	20,641	–	20,641	–	7,450	–	–	–	28,091	–	28,091
Plant and equipment (MV, HV and MP)	32,905	18,013	14,892	–	4,929	(747)	(3,087)	–	35,318	19,331	15,987
Office equipment (OE, computer and others)	2,092	1,711	381	–	275	–	(106)	–	2,367	1,817	550
Furniture and fittings	407	340	67	–	66	–	(24)	–	473	364	109
Land:											
– Operational land	285,686	–	285,686	–	–	–	–	–	285,686	–	285,686
– Community land	414,732	–	414,732	–	–	–	–	(561)	414,171	–	414,171
– Land under roads (post 30/6/08)	8,408	–	8,408	–	–	–	–	–	8,408	–	8,408
Infrastructure:											
– Buildings	330,073	113,736	216,337	7,377	2,357	–	(7,324)	726	340,535	121,062	219,473
– Park infrastructure (open space)	25,198	12,757	12,441	–	–	–	(1,205)	–	25,198	13,962	11,236
– Roads	490,089	106,157	383,932	11,226	1,974	–	(9,639)	–	503,288	115,795	387,493
– Bridges	47,169	7,808	39,361	474	113	–	(539)	–	47,755	8,346	39,409
– Footpaths	117,615	20,544	97,071	3,937	1,465	–	(2,079)	78	123,095	22,623	100,472
– Bulk earthworks (non-depreciable)	23,970	–	23,970	–	–	–	–	561	24,531	–	24,531
– Stormwater drainage	254,313	46,952	207,361	1,347	322	–	(1,742)	–	255,982	48,694	207,288
– Kerb and gutter	186,780	38,275	148,505	5,189	54	–	(2,396)	–	192,023	40,671	151,352
Other assets:											
– Library books	13,783	12,426	1,357	–	313	–	(141)	–	14,096	12,567	1,529
– Other	25,553	6,013	19,540	1,817	12,060	–	(1,309)	(804)	38,626	7,322	31,304
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,279,414	384,732	1,894,682	31,367	31,378	(747)	(29,591)	–	2,339,643	412,554	1,927,089

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the period 1 July 2017 to 30 June 2018							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000													
Capital work in progress	36,692	—	36,692	25,596	12,814	—	—	(54,461)	—	—	20,641	—	20,641
Plant and equipment (MV, HV and MP)	31,757	16,566	15,191	—	3,434	(654)	(3,079)	—	—	—	32,905	18,013	14,892
Office equipment (OE, computer and others)	6,562	5,930	632	—	45	—	(342)	—	46	—	2,092	1,711	381
Furniture and fittings	362	320	42	—	45	—	(20)	—	—	—	407	340	67
Land:													
— Operational land	187,132	—	187,132	—	—	—	—	6,689	14,975	76,890	285,686	—	285,686
— Community land	428,634	—	428,634	—	—	—	—	1,020	(14,922)	—	414,732	—	414,732
— Land under roads (post 30/6/08)	8,461	—	8,461	—	—	—	—	—	(53)	—	8,408	—	8,408
Infrastructure:													
— Buildings	306,572	135,747	170,825	—	—	(1,992)	(6,392)	7,390	35	46,471	330,073	113,736	216,337
— Park infrastructure (open space)	25,198	11,551	13,647	—	—	—	(1,206)	—	—	—	25,198	12,757	12,441
— Roads	472,877	95,577	377,300	—	—	—	(10,575)	16,813	394	—	490,089	106,157	383,932
— Bridges	47,093	7,273	39,820	—	—	—	(536)	77	—	—	47,169	7,808	39,361
— Footpaths	113,088	18,608	94,480	—	—	—	(1,936)	4,025	502	—	117,615	20,544	97,071
— Bulk earthworks (non-depreciable)	23,814	—	23,814	—	—	—	—	156	—	—	23,970	—	23,970
— Stormwater drainage	251,340	45,237	206,103	—	—	—	(1,711)	2,840	129	—	254,313	46,952	207,361
— Kerb and gutter	182,694	35,972	146,722	—	—	—	(2,303)	4,086	—	—	186,780	38,275	148,505
Other assets:													
— Library books	13,469	12,319	1,150	—	314	—	(107)	—	—	—	13,783	12,426	1,357
— Other	15,256	5,217	10,039	—	—	—	(804)	11,365	(1,060)	—	25,553	6,013	19,540
TOTAL INFRASTRUCTURE,	2,151,001	390,317	1,760,684	25,596	16,652	(2,646)	(29,011)	—	46	123,361	2,279,414	384,732	1,894,682
PROPERTY, PLANT AND EQUIP.													

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment (continued)**Land under roads**

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

\$ '000	2019			2018		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Domestic waste management						
Plant and equipment	10,344	5,918	4,426	10,929	5,474	5,455
Office equipment	17	11	6	17	10	7
Land						
– Operational land	9,685	–	9,685	9,865	–	9,865
Buildings	883	216	667	–	–	–
Total DWM	20,929	6,145	14,784	20,811	5,484	15,327
TOTAL RESTRICTED IPP&E	20,929	6,145	14,784	20,811	5,484	15,327

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	13,921	13,874
Reconciliation of annual movement:		
Opening balance	13,874	13,835
– Other movements	47	39
CLOSING BALANCE – INVESTMENT PROPERTY	13,921	13,874
(b) Valuation basis		
The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.		
The 2017 revaluations were based on independent assessments made by: Scott Fullarton Valuations Pty Ltd FAPI CPP		
(c) Contractual obligations at reporting date		
Refer to Note 17 for disclosures relating to any capital and service obligations that have been contracted.		
(d) Leasing arrangements – Council as lessor		
The investment property are leased to tenants under long-term operating leases with rentals payable monthly.		
Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:		
Within 1 year	714	1,034
Later than 1 year but less than 5 years	2,423	2,818
Later than 5 years	760	1,079
Total minimum lease payments receivable	3,897	4,931
(e) Investment property income and expenditure – summary		
Rental income from investment property:		
– Minimum lease payments	1,078	820
Direct operating expenses on investment property:		
– that generated rental income	(51)	(134)
Net revenue contribution from investment property	1,027	686
Total income attributable to investment property	1,027	686

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Intangible assets

\$ '000	2019	2018
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	6,838	1,821
Accumulated amortisation	(6,270)	(1,651)
Net book value – opening balance	568	170
Movements for the year		
– Other capitalised costs	–	5,017
– Amortisation charges	(81)	(4,619)
Closing values at 30 June		
Gross book value	6,838	6,838
Accumulated amortisation	(6,351)	(6,270)
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	487	568

¹ The net book value of intangible assets represent:

– IT Development and Software Cost	6,838	6,838
– IT Development and Software Accumulated amortisation	(6,351)	(6,270)
	487	568

Accounting policy for intangible assets

IT development and software

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

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	12,474	–	11,426	–
Accrued expenses:				
– Salaries and wages	1,143	–	1,044	–
– Other expenditure accruals	1,383	–	306	–
Security bonds, deposits and retentions	7,729	–	7,433	–
Other	409	–	339	–
Total payables	23,138	–	20,548	–
Borrowings				
Loans – secured ¹	113	59	252	172
Total borrowings	113	59	252	172
TOTAL PAYABLES AND BORROWINGS	23,251	59	20,800	172

(a) Payables and borrowings relating to restricted assets

	2019		2018	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,311	–	1,278	–
Payables and borrowings relating to externally restricted assets	1,311	–	1,278	–
Total payables and borrowings relating to restricted assets	1,311	–	1,278	–
Total payables and borrowings relating to unrestricted assets	21,940	59	19,522	172
TOTAL PAYABLES AND BORROWINGS	23,251	59	20,800	172

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	2019	2018
---------	------	------

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	6,492	6,244
	6,492	6,244

(c) Changes in liabilities arising from financing activities

Class of borrowings	2018		Non-cash changes			2019
	Opening balance as at 1/7/18	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/19
Loans – secured	424	(252)	–	–	–	172
TOTAL	424	(252)	–	–	–	172

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	756	(332)	–	–	–	424
TOTAL	756	(332)	–	–	–	424

\$ '000	2019	2018
---------	------	------

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

Bank overdraft facilities ⁽¹⁾	1,500	1,500
Credit cards/purchase cards	500	500
Total financing arrangements	2,000	2,000
Undrawn facilities as at balance date:		
– Bank overdraft facilities	1,500	1,500
– Credit cards/purchase cards	500	500
Total undrawn financing arrangements	2,000	2,000

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

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings (continued)

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

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	6,286	–	5,851	–
Sick leave	712	–	705	–
Long service leave	11,231	559	10,964	918
Sub-total – aggregate employee benefits	18,229	559	17,520	918
Other provisions:				
Self insurance – workers compensation	664	2,397	717	1,834
Self insurance – public liability	25	823	241	364
Sub-total – other provisions	689	3,220	958	2,198
<u>TOTAL PROVISIONS</u>	<u>18,918</u>	<u>3,779</u>	<u>18,478</u>	<u>3,116</u>

(a) Provisions relating to restricted assets

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

\$ '000	2019	2018
(b) Current provisions not anticipated to be settled within the next twelve months		
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	11,650	10,335
	<u>11,650</u>	<u>10,335</u>

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2019	Employee Leave Entitlements provisions			Total
	Annual leave	Sick leave	Long service leave	
At beginning of year	5,851	705	11,882	18,438
Additional provisions	4,560	32	2,138	6,730
Amounts used (payments)	(4,060)	(18)	(2,109)	(6,187)
Remeasurement effects	(65)	(7)	(121)	(193)
Total ELE provisions at end of year	6,286	712	11,790	18,788

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

2019	Other provisions	
	Self-insurance	Total
At beginning of year	3,156	3,156
Changes to provision:		
Amounts used (payments)	753	753
Total other provisions at end of year	3,909	3,909

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

Nature and purpose of non-employee benefit provisions

Self-insurance

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

On-costs

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

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period. The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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 and decrements in the revaluation of non-current assets.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	32,953	37,399
Balance as per the Statement of Cash Flows		32,953	37,399
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		33,803	25,656
Adjust for non-cash items:			
Depreciation and amortisation		29,672	29,071
Net losses/(gains) on disposal of assets		(215)	1,485
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		1	(54)
Share of net (profits)/losses of associates/joint ventures using the equity method		(759)	(957)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,786)	252
Increase/(decrease) in provision for impairment of receivables		17	9
Decrease/(increase) in inventories		3	12
Decrease/(increase) in other current assets		(193)	550
Increase/(decrease) in payables		1,048	2,363
Increase/(decrease) in accrued interest payable		–	(1)
Increase/(decrease) in other accrued expenses payable		1,176	(482)
Increase/(decrease) in other liabilities		366	(280)
Increase/(decrease) in provision for employee benefits		350	(1,199)
Increase/(decrease) in other provisions		753	(400)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		63,236	56,025

(c) Bank Guarantees

State Insurance Regulatory Authority - Workers Compensation \$2,839,000.00
 Sydney Water Corporation \$20,000.00
 Sydney Water Corporation \$119,775.00
 Sydney Water Corporation \$265,810.00
 Endeavour Energy \$20,000.00

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	759	957	7,707	6,949
Total	759	957	7,707	6,949

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000

Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2019	2018
CivicRisk Mutual (UIP)	Joint venture	Equity Method	496	556
CivicRisk West (Westpool)	Joint venture	Equity Method	7,211	6,392
Total carrying amounts – material joint ventures			7,707	6,949

(b) Details

Name of entity	Principal activity	Place of business
CivicRisk Mutual (UIP)	Self insurance	Penrith NSW
CivicRisk West (Westpool)	Self insurance	Penrith NSW

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
CivicRisk Mutual (UIP)	NA	NA	11%	7%	7%	7%	6%	6%
CivicRisk West (Westpool)	NA	NA	17%	15%	15%	15%	9%	10%

(d) Summarised financial information for joint ventures

	CivicRisk Mutual (UIP)		CivicRisk West (Westpool)	
Statement of financial position	2019	2018	2019	2018
Current assets				
Cash and cash equivalents	1,813	1,158	2,961	3,022
Other current assets	7,215	5,759	28,110	19,442
Non-current assets	5,368	5,989	36,522	41,740
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	4,827	2,690	7,397	6,111
Other current liabilities	346	299	740	720
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	2,279	1,448	12,116	15,611
Net assets	6,944	8,469	47,340	41,762
Reconciliation of the carrying amount				
Opening net assets (1 July)	8,469	6,491	41,761	37,976
Profit/(loss) for the period	(1,524)	1,978	5,579	5,913
Other adjustments to equity	–	–	–	(2,128)
Closing net assets	6,945	8,469	47,340	41,761
Council's share of net assets (%)	7.2%	6.6%	15.2%	15.3%
Council's share of net assets (\$)	496	559	7,211	6,390

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

\$ '000

Joint ventures (continued)

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

	CivicRisk Mutual (UIP)		CivicRisk West (Westpool)	
	2019	2018	2019	2018
Statement of comprehensive income				
Income	11,320	9,425	9,918	6,076
Interest income	447	439	3,623	3,261
Interest expense	–	–	(18)	(17)
Other expenses	(13,291)	(7,886)	(7,944)	(3,407)
Profit/(loss) for period	(1,524)	1,978	5,579	5,913
Total comprehensive income	(1,524)	1,978	5,579	5,913
Share of income – Council (%)	4.0%	8.6%	14.7%	13.3%
Profit/(loss) – Council (\$)	(60)	170	819	786
Total comprehensive income – Council (\$)	(60)	170	819	786
Dividends received by Council	–	–	–	2,128
Summarised Statement of cash flows				
Cash flows from operating activities	2,904	903	2,439	113
Cash flows from investing activities	(2,250)	(250)	(2,500)	1,510
Cash flows from financing activities	–	–	–	(1,537)
Net increase (decrease) in cash and cash equivalents	654	653	(61)	86

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

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

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

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings	8,023	9,276
Plant and equipment	3,807	6,360
Land	380	39
Other	8,644	11,199
Total commitments	20,854	26,874
These expenditures are payable as follows:		
Within the next year	20,854	26,874
Total payable	20,854	26,874
Sources for funding of capital commitments:		
Unrestricted general funds	11,659	10,762
Unexpended grants	1,101	–
Externally restricted reserves	4,187	3,028
Internally restricted reserves	3,907	11,984
New loans (to be raised)	–	995
Sect 94	–	10
Sect 94 A	–	95
Total sources of funding	20,854	26,874

Building - Council is committed to develop the following assets: Hughes Street car park, Showground Development Indoor multicultural sporting centre, Bossley Park preschool, Fairfield Library Expansion and Fairfield Leisure centre

Plant and Equipment - Upgrade Road Sweeper and Rear Loader.

Other - Town Centre upgrade, Smithfield Road upgrade and Detention basins.

(b) 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	641	622
Later than one year and not later than 5 years	1,070	690
Total non-cancellable operating lease commitments	1,711	1,312

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

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

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

Conditions relating to operating leases:

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 *Employee Benefits* for the following reasons:

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

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

Description of the funding arrangements

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

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each pooled employer is a share of the total additional contributions of \$40m per annum from 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2019.

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit plans

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

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

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

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

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2019 was \$688,000. The last valuation of the Scheme was performed by Mr Richard Boyfield on 31 Dec 2018, and covers the year ended 30 June 2018.

The amount of additional contributions advised is \$1,452,600 from 1 July 2019 to 30 June 2021. Council's expected contribution to the plan for the next annual reporting period is \$726,300.

The estimated employer reserves financial position for the pooled employees at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1798.7	
Past Service Liabilities	1784.2	100.8%
Vested Benefits	1792.0	100.4%

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

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$1,452,600 as at 30 June 2019.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

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

* Plus promotional increases

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(ii) CivicRisk West (Westpool)

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

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

Council is a member of Westpool, a mutual pool scheme providing liability insurance to Local Government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years. 2018/19 Fairfield City Council's Claims Report as at 30 June 2019 total is \$848,000.

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 16.

(iii) Workers Compensation Self Insurance Bank Guarantee

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

State Insurance Regulatory Authority has reviewed Council's workers compensation claims liability based on actuarial report dated 30 June 2018 and advised the bank guarantee remains as \$2.839 million.

(iv) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 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.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(v) StateCover Limited

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

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

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

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

(vi) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

ASSETS NOT RECOGNISED (continued):

(ii) Infringement notices/fines

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

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

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

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

OTHER ASSETS & LIABILITIES NOT RECOGNISED:

(i) Regional Illegal Dumping Squads (RIDS)

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

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

Each Council has equal interest in the operation and has an undertaking to annually contribute. (\$78,000 for 2018/19).

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

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

(ii) Dutton Plaza Claim

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

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 19. 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.

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. 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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the instruments 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.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due
- **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	23	23	(23)	(23)
Possible impact of a 1% movement in interest rates	1,379	1,379	(1,379)	(1,379)
2018				
Possible impact of a 10% movement in market values	23	23	(23)	(23)
Possible impact of a 1% movement in interest rates	1,362	1,362	(1,362)	(1,362)

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 – 2 years overdue	2 – 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	–	5,187	–	–	–	5,187
2018						
Gross carrying amount	–	4,239	–	–	–	4,239

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk (continued)

Receivables – non-rates and annual charges

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

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 – 30 days overdue	31 – 60 days overdue	61 – 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	–	4,488	1,124	417	579	6,608
Expected loss rate (%)					42.31%	3.71%
ECL provision	–	–	–	–	245	245
2018						
Gross carrying amount	–	4,218	495	60	270	5,043
Expected loss rate (%)					98.00%	5.25%
ECL provision	–	–	–	–	265	265

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2019							
Trade/other payables		7,729	15,409	-	-	23,138	23,138
Loans and advances	2.53%	-	57	115	-	172	172
Total financial liabilities		7,729	15,466	115	-	23,310	23,310
2018							
Trade/other payables		7,433	13,115	-	-	20,548	20,548
Loans and advances	2.53%	-	252	172	-	424	424
Total financial liabilities		7,433	13,367	172	-	20,972	20,972

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000

Council's original financial budget for 18/19 was adopted by the Council on 22 May 2018 and is not required to be audited.

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

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

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

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

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
REVENUES					
Rates and annual charges	111,864	113,840	1,976	2%	F
User charges and fees	17,950	18,238	288	2%	F
Interest and investment revenue	3,263	4,224	961	29%	F
Increased investments gave favourable investment income return.					
Other revenues	21,180	25,919	4,739	22%	F
Rental income from council properties and non domestic recycling income contributed to increased other revenue.					
Operating grants and contributions	22,283	20,266	(2,017)	(9%)	U
Capital grants and contributions	14,279	16,426	2,147	15%	F
Grant for Showground redevelopments contributed to the increased capital grant income.					
Net gains from disposal of assets	–	215	215	0%	F
The budget assumes that the written down value of assets will reflect the proceeds at the time of sale. However this varies subject to market conditions.					
Joint ventures and associates - net profits	–	759	759	0%	F
The joint venture are for the purposes of pooled insurance which are subject to varying levels of claims, premiums and capital ratios to maintain and meet the future costs of these claims. Council is conservative and does not budget to receive profits from this area.					

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 20. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 Variance*		
EXPENSES					
Employee benefits and on-costs	75,300	74,943	357	0%	F
Borrowing costs	21	11	10	48%	F
Quantum of the loans between 2017/18 and 2018/19 reduced significantly due to repayment of loan principal. Fall in loan balances contributed to reduced borrowing cost.					
Materials and contracts	32,108	29,606	2,502	8%	F
Depreciation and amortisation	31,890	29,672	2,218	7%	F
Other expenses	33,326	31,852	1,474	4%	F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	35,331	63,236	27,905	79.0%	F
Prepayment of Financial Assistance Grant and other additional capital contributions contributed to this variance.					
Cash flows from investing activities	(61,208)	(67,430)	(6,222)	10.2%	U
Cash flows from financing activities	(252)	(252)	-	0.0%	F

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Fair value measurement

\$ '000

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

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

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the 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:

2019	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments				
– 'Held for trading'	–	227	–	227
Total financial assets	–	227	–	227
Investment property				
167 Meadows Road, Mount Pritchard NSW 2170	–	3,635	–	3,635
9 Walker Place, Wetherill Park NSW 2164	–	4,252	–	4,252
396 Victoria Street, Wetherill Park, NSW 2164	–	6,034	–	6,034
Total investment property	–	13,921	–	13,921
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	15,987	15,987
Office equipment	–	–	550	550
Furniture and fittings	–	–	109	109
Operational land	–	285,686	–	285,686
Community land	–	–	414,171	414,171
Buildings Non Specialised	–	–	219,473	219,473
Park infrastructure	–	–	11,236	11,236
Roads	–	–	387,493	387,493
Bridges	–	–	39,409	39,409
Footpaths	–	–	100,472	100,472
Stormwater drainage	–	–	207,288	207,288
Kerb and gutter	–	–	151,352	151,352
Library books	–	–	1,529	1,529
Other assets	–	–	31,304	31,304
Land under Roads	–	–	8,408	8,408
Bulk Earthworks	–	–	24,531	24,531
Total infrastructure, property, plant and equipment	–	285,686	1,613,312	1,898,998

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000

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

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Financial assets				
Investments – ‘Held for trading’	–	228	–	228
Total financial assets at fair value through profit or loss	–	228	–	228
Investment property				
167 Meadows Road, Mount Pritchard NSW 2170	–	3,635	–	3,635
9 Walker Place, Wetherill Park NSW 2164	–	4,239	–	4,239
396 Victoria Street, Wetherill Park, NSW 2164	–	6,000	–	6,000
Total investment property	–	13,874	–	13,874
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	14,892	14,892
Office equipment	–	–	381	381
Furniture and fittings	–	–	67	67
Operational land	–	284,056	–	284,056
Community land	–	–	416,362	416,362
Buildings Non Specialised	–	–	216,337	216,337
Park infrastructure	–	–	12,441	12,441
Roads	–	–	383,932	383,932
Bridges	–	–	39,361	39,361
Footpaths	–	–	97,071	97,071
Stormwater drainage	–	–	207,361	207,361
Kerb and gutter	–	–	148,505	148,505
Library books	–	–	1,357	1,357
Other assets	–	–	19,540	19,540
Land under Roads	–	–	8,408	8,408
Bulk Earthworks	–	–	23,970	23,970
Total infrastructure, property, plant and equipment	–	284,056	1,589,985	1,874,041

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

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

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

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

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

Investment property

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

All investment property valuations are included in level 2 of the hierarchy. The value of investment property has determined using either the capitalisation of rental income method or with reference to value of similar properties properties within the area that are subject to similar leases.

The key unobservable input to the valuation is the rent or price per square metre.

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

Operational Land and Buildings

Council engages the external, independent and qualified valuers to determine the fair value of the Council's operational land and buildings in level 3 (Non specialised). The last revaluation of the operational land and buildings were undertaken by Scott Fullarton FAPI CPP as at 30 June 2018.

Gross Value of each building, 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 per square metre has been benchmarked to construction costs of similar properties across the industry.

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

Community Land and Land under Roads

The fair value for community land in level 3 has been determined from the Valuer General's Valuation performed for rating purposes. Land under roads has been determined using a unit rate per square metre.

Given the nature of Community land and Land under roads, comparable sales data is generally not available. As the Valuer General's valuation considers land in all zoning, average unit derived from Valuer's General's valuation is considered the most practicable approach to valuing Community Land and Land under roads.

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

Infrastructure Assets

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000

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

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

	IPP&E	Asset held for Sale	Total
Opening balance – 1/7/17	1,402,507	220	1,402,727
Purchases (GBV)	42,248	–	42,248
Disposals (WDV)	(2,646)	(220)	(2,866)
Depreciation and impairment	(291)	–	(291)
FV gains – other comprehensive income	121,387	–	121,387
FV gains – Income Statement	36,758	–	36,758
Other movement	(9,978)	–	(9,978)
Closing balance – 30/6/18	1,589,985	–	1,589,985
Purchases (GBV)	62,012	–	62,012
Disposals (WDV)	(747)	–	(747)
Depreciation and impairment	(29,591)	–	(29,591)
Correction for WIP	(8,347)	–	(8,347)
Closing balance – 30/6/19	1,613,312	–	1,613,312

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
Financial assets			
Investment - Trading	227	Advisor Report	Unit Price
Investment property			
167 Meadows Road	3,635	Market based direct comparison	Rent per square metre
9 Walker Place	4,252	Market based direct comparison	Rent per square metre
396 Victoria Street	6,034	Market based direct comparison	Rent per square metre
IPP&E			
Capital work in progress	28,091	Cost approach used to approximate fair value	Gross replacement cost
Plant and equipment	15,987	Cost approach used to approximate fair value	Gross replacement cost
Office equipment	550	Cost approach used to approximate fair value	Gross replacement cost
Furniture and fittings	109	Cost approach used to approximate fair value	Gross replacement cost
Operational land	285,686	Market based direct comparison	Land value, land area
Community land	414,171	NSW Valuer General land valuation	Land value, land area
Buildings Non Specialised	219,473	Market based direct comparison	Gross replacement cost
Park infrastructure	11,236	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length
Roads	387,493	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair value measurement (continued)

\$ '000

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

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

Class	Fair value (30/6/19) \$'000	Valuation technique/s	Unobservable inputs
IPP&E (continued)			
Bridges	39,409	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length
Footpaths	100,472	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length
Stormwater drainage	207,288	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length
Kerb and gutter	151,352	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value and unit rates per sq meter or length
Library books	1,529	Cost approach used to approximate fair value	Gross replacement cost
Other assets	31,304	Cost approach used to approximate fair value	Gross replacement cost
Land under Roads	8,408	NSW Valuer General land valuation	Land value, land area extent and impact of use
Bulk Earthworks	24,531	Cost approach used to approximate fair value	Asset condition, remaining lives, residual value

(5). Highest and best use

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

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Related party transactions

\$ '000

a. Key management personnel

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

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

	2019	2018
Compensation:		
Short-term benefits	2,781	2,584
Total	2,781	2,584

b. Other transactions with KMP and their related parties

There are no transactions with close family members of Council's KMP during financial year 2018/19.

Note 23. Events occurring after the reporting date

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

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	5,258	27	-	141	-	-	5,426	-
Roads	2	2	-	-	-	-	4	-
Traffic facilities	247	-	-	7	-	-	254	-
Parking	1,298	-	-	34	-	-	1,332	-
Open space	23,977	3,811	-	680	(342)	-	28,126	-
Community facilities	4,902	1,007	-	139	(188)	-	5,860	-
Concrete Path Paving	91	-	-	2	-	-	93	-
Administration	690	134	-	18	(102)	-	740	-
City Wide	276	66	-	8	-	-	350	-
S7.11 contributions – under a plan	36,741	5,047	-	1,029	(632)	-	42,185	-
S7.12 levies – under a plan	8,010	1,865	-	240	(85)	-	10,030	-
Total S7.11 and S7.12 revenue under plans	44,751	6,912	-	1,269	(717)	-	52,215	-
S64 contributions	868	-	-	23	-	-	891	-
Total contributions	45,619	6,912	-	1,292	(717)	-	53,106	-

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - 1999 Stormwater Drainage Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Creek	482	27	–	13	–	–	522	
– Wetherill Park	4,776	–	–	128	–	–	4,904	
Total	5,258	27	–	141	–	–	5,426	–

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					
– Road Catchment Bonnyrigg	1	–	–	–	–	–	1	
– Roads Catchment St John Park	1	1	–	–	–	–	2	
– Roads Rural Roads Upgrade	–	1	–	–	–	–	1	
Total	2	2	–	–	–	–	4	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – Rural Area Upgrading & Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Traffic Facilities	247	–	–	7	–	–	254	–
Total	247	–	–	7	–	–	254	–

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	72	–	–	1	–	–	73	–
– Parking Fairfield	937	–	–	25	–	–	962	–
– Parking Canley Heights	289	–	–	8	–	–	297	–
Total	1,298	–	–	34	–	–	1,332	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 1999 Land Acquisition for Open Space & Drainage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Land Acquisitions	6,579	–	–	175	(3)	–	6,751	–
Total	6,579	–	–	175	(3)	–	6,751	–

CONTRIBUTION PLAN – 1999 Recreation & Open Space Embellishment

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– City wide	7	–	–	–	(7)	–	–	–
– Bonnyrigg	19	2	–	–	(19)	–	2	–
– Cabramatta	7	–	–	–	(7)	–	–	–
– Fairfield	20	–	–	–	(20)	–	–	–
– Rural Park	16	–	–	–	(16)	–	–	–
Total	69	2	–	–	(69)	–	2	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN – 1999 Community Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– City wide	78	–	–	–	(78)	–	–	–
– Bonnyrigg	1	–	–	–	(1)	–	–	–
– Cabramatta	89	–	–	–	(89)	–	–	–
– Fairfield	834	–	–	23	–	–	857	–
– Wetherill Park	20	–	–	–	(20)	–	–	–
Total	1,022	–	–	23	(188)	–	857	–

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	91	–	–	2	–	–	93	–
Total	91	–	–	2	–	–	93	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER S94A

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Administration	113	–	–	2	(102)	–	13	–
Total	113	–	–	2	(102)	–	13	–

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	276	66	–	8	–	–	350	–
Total	276	66	–	8	–	–	350	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Community Facilities District

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Cabramatta	52	71	–	3	–	–	126	
– Fairfield/Canley Heights	729	143	–	21	–	–	893	
Total	781	214	–	24	–	–	1,019	–

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	581	61	–	16	–	–	658	
– Fairfield Heights	662	142	–	19	–	–	823	
– Villawood	429	131	–	14	–	–	574	
– Canley Heights	311	137	–	10	–	–	458	
– Cabramatta	506	88	–	15	–	–	609	
– Prairewood	610	234	–	18	–	–	862	
Total	3,099	793	–	92	–	–	3,984	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Land Acquisition

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Cabramatta	3,128	903	–	94	–	–	4,125	
– Fairfield	4,804	800	–	136	–	–	5,740	
– Western LGA	4,589	966	–	130	–	–	5,685	
– Western LGA	1,725	533	–	55	–	–	2,313	
Total	14,246	3,202	–	415	–	–	17,863	–

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	482	139	–	15	–	–	636	
– Fairfield	775	139	–	22	–	–	936	
– Villawood	746	96	–	22	(270)	–	594	
– Western LGA	1,080	233	–	31	–	–	1,344	
Total	3,083	607	–	90	(270)	–	3,510	–

Fairfield City Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN 2011 Administration

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Administration	577	134	–	16	–	–	727	–
Total	577	134	–	16	–	–	727	–

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2011

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Section 94A Levy Contributions	8,010	1,865	–	240	(85)	–	10,030	–
Total	8,010	1,865	–	240	(85)	–	10,030	–

S7.4 planning agreements

Bonnyrigg Living Community Communities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
– Bonnyrigg Living Community Cont	868	–	–	–	–	–	868	–
Total	868	–	–	–	–	–	868	–

Fairfield City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses ⁽²⁾	<u>16,404</u>	8.99%	8.27%	11.37%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>182,488</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>160,507</u>	80.69%	82.61%	77.03%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>198,914</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions	<u>46,398</u>	2.04x	2.82x	3.09x	> 1.5x
Current liabilities less specific purpose liabilities	<u>22,716</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>46,087</u>	175.24x	123.88x	146.26x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>263</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>4,725</u>	4.06%	3.37%	3.15%	< 5% Metro < 10% Regional & Rural
Rates, annual and extra charges collectible	<u>116,510</u>				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>32,953</u>	2.70 mths	3.1 mths	4.9 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>12,194</u>				

Notes

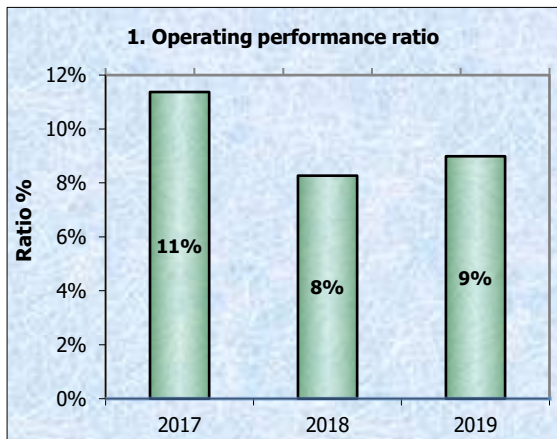
⁽¹⁾ Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and the net gain on share of interests in joint ventures and associates.

⁽²⁾ Excludes impairment/revaluation decrements, net loss on sale of assets and the net loss on share of interests in joint ventures and associates.

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

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



Purpose of operating performance ratio

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

Commentary on 2018/19 result

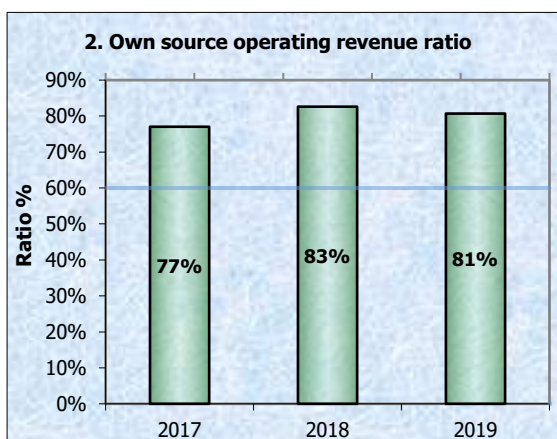
2018/19 ratio 8.99%

Rates & annual charges income, rental income from council's properties and interest from investments have contributed to increased income. Expenses also kept under control which gave a favourable ratio of 9%. The benchmark set by Local Government Code of Accounting Practice and Financial reporting 27 is 0.00.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

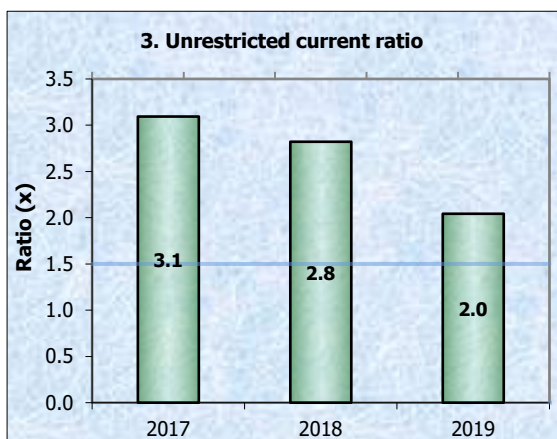
2018/19 ratio 80.69%

Council consistently maintain this ratio well above the benchmark set by Local Government Code of Accounting Practice and Financial Reporting 27 which is 60%. It proves that the council has a great reliance on own source of funding for its operations. For the last three years this ratio is in the region of 80%.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 2.04x

Council's unrestricted current ratio is 2.1 compared to benchmark set by Local Government Code of Accounting practice and Financial Reporting 27 of 1.5. Council maintains this ratio well above the benchmark and has sufficient liquid funds to meet its obligations.

Benchmark: ——— Minimum >=1.50

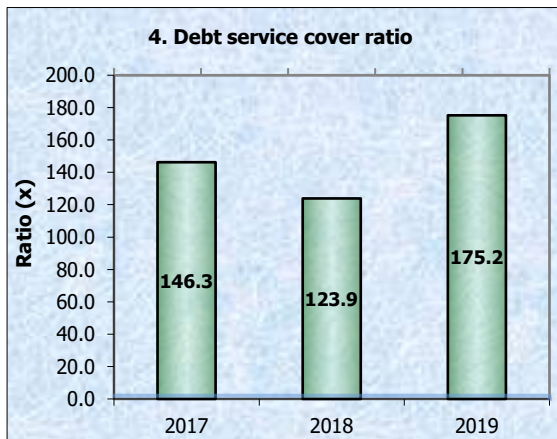
Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

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



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 2018/19 result

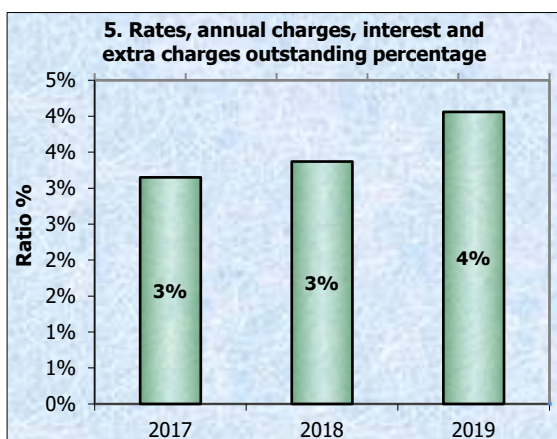
2018/19 ratio 175.24x

Council's debt service cover ratio is in a very strong position and has been for the last few years. Council has very minimal debt and has sufficient fund to meet its obligations.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark



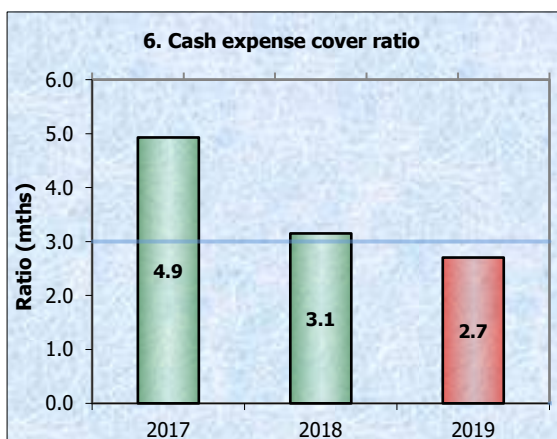
Purpose of rates and annual charges outstanding ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.06%

Outstanding rates, charges and fees are 4% which is within the benchmark set by Local Government Code of Accounting Practice and Financial Reporting 27 of 5%.



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 2018/19 result

2018/19 ratio 2.70 mths

Council's cash expense cover ratio is 2.7 months compared to the benchmark of 3 months. Whilst the ratio is outside the benchmark, Council does not have a cashflow issue because it holds \$52.1 million in FRN's that can be converted to cash at short notice.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark
 Ratio is outside benchmark

Fairfield City Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 26. Council information and contact details

Principal place of business:

86 Avoca Road
WAKELEY NSW 2176

Contact details

Mailing address:

PO Box 21
FAIRFIELD NSW 1860

Opening hours:

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

Telephone: 02 9725 0222

Facsimile: 02 9725 4249

Internet: www.fairfieldcity.nsw.gov.au

Email: mail@fairfieldcity.nsw.gov.au

Officers

GENERAL MANAGER

Alan Young

RESPONSIBLE ACCOUNTING OFFICER

Lachlan Gunn

PUBLIC OFFICER

Brad Cutts

AUDITORS

Audit office of New South Wales
Level 19, Darling Park Tower 2
201 Sussex Street
Sydney, NSW 2000

Elected members

MAYOR

Frank Carbone

COUNCILLORS

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

Other information

ABN: 83 140 439 239



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Fairfield City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

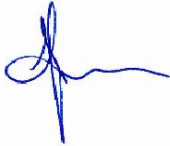
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in blue ink, consisting of a stylized, cursive 'A' followed by a horizontal line that tapers to the right.

Aaron Green
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY



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

Contact: Aaron Green
 Phone no: 02 9275 7209
 Our ref: D1924996/1723

23 October 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Fairfield City Council**





I have audited the general purpose financial statements (GPFS) of the Fairfield City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	113.8	110.9	 2.6
Grants and contributions revenue	36.7	30.8	 19.2
Operating result for the year	33.8	25.7	 31.5
Net operating result before capital grants and contributions	17.4	14.0	 24.3

Rates and annual charges revenue (\$113.8 million) increased by \$2.9 million (2.6 per cent) in 2018–2019. This was mainly due to the annual rate peg increase applied to ordinary rates (2.3 per cent) and a slight increase in the rates base due to development activity during the year.

Grants and contributions revenue (\$36.7 million) increased by \$5.9 million (\$19.2 per cent) in 2018–2019 mainly due to grants received for the following projects in the current year:

- Showground redevelopment
- Smithfield road upgrade
- Smithfield and Canley Vale town centre upgrades.

Council’s operating result (\$33.8 million including the effect of depreciation and amortisation expense of \$29.7 million) was \$8.1 million higher than the 2017–18 result. This was mainly due to the increases in rates and annual charges revenue and grants revenue as described above.

The net operating result before capital grants and contributions (\$17.4 million) was \$3.4 million higher than the 2017–18 result. This was due to the net effect of:

- increase in rates and annual charges revenue by \$2.9 million as described above
- increase in other revenue by \$2.9 million mainly from higher fines, rental income and income from the sale of recycled building materials
- increase in operating grants and contributions by \$1.0 million
- increase in total expenses by \$3.0 million due to higher salaries and wages and related on-costs.

STATEMENT OF CASH FLOWS

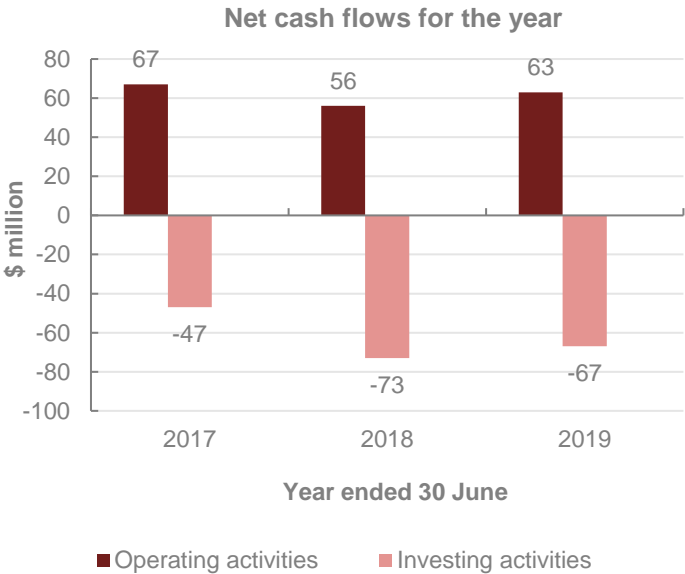
The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided by operating activities is due to higher receipts from rates and annual charges, grants and other revenue in the current year.

The decrease in cash used in investing activities is due to significantly lower purchases of term deposits and floating rate notes in the current year, offset by a slightly higher capital spend.

There was insignificant financing activity over the last three years.

The Council’s cash and cash equivalents balance as at 30 June 2019 was \$33.0 million (2018: \$37.4 million). The net cash flow for the year was a decrease of \$4.4 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	108.1	89.9	<ul style="list-style-type: none"> Externally restricted funds mainly include developer contributions, domestic waste management funds and specific purpose unexpended grant funds. The increase is primarily due to \$7.5 million increase in developer contributions and \$7.2 million higher domestic waste management.
Internal restrictions	23.6	22.0	
Unrestricted	8.1	26.7	
Cash and investments	139.8	138.6	<ul style="list-style-type: none"> Internally restricted funds are due to Council policy or decisions for forward plans including strategic capital projects. The main reason for the increase in internally restricted funds is due to an increase in special rate variance reserve. Unrestricted balances provide liquidity for day-to-day operations.

Debt

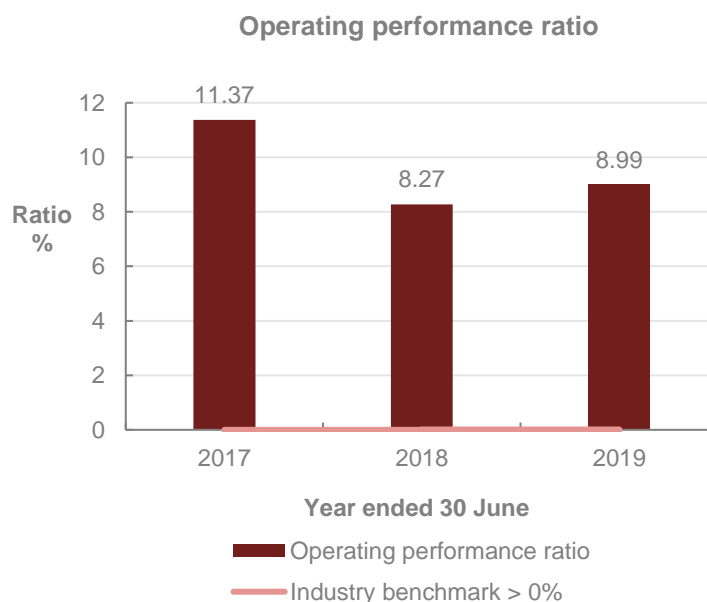
The Council has bank overdraft facilities of \$1.5 million which remain unused as at 30 June 2019.

PERFORMANCE

Operating performance ratio

Operating performance has increased slightly from the previous year and Council continues to exceed the benchmark.

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



Own source operating revenue ratio

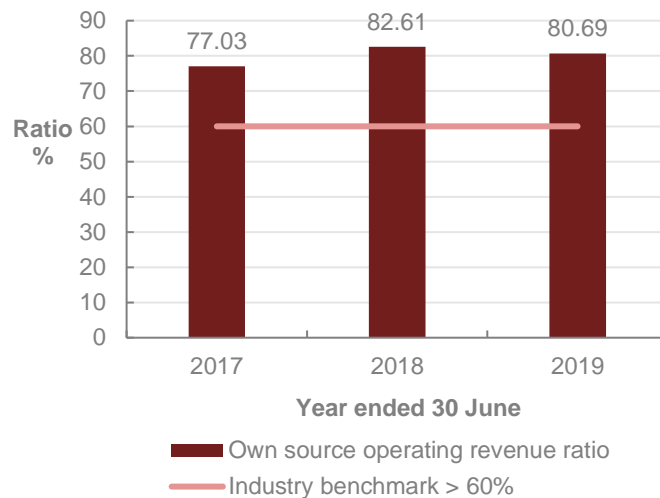
The Council's own source operating revenue ratio continued to exceed OLG benchmark.

The ratio was 80.7 per cent in 2019. This indicates that the Council has a diversified source of income and is not overly reliant on grants and contributions.

The Council's own source operating revenue ratio has remained steady over the past three years.

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

Own source operating revenue ratio



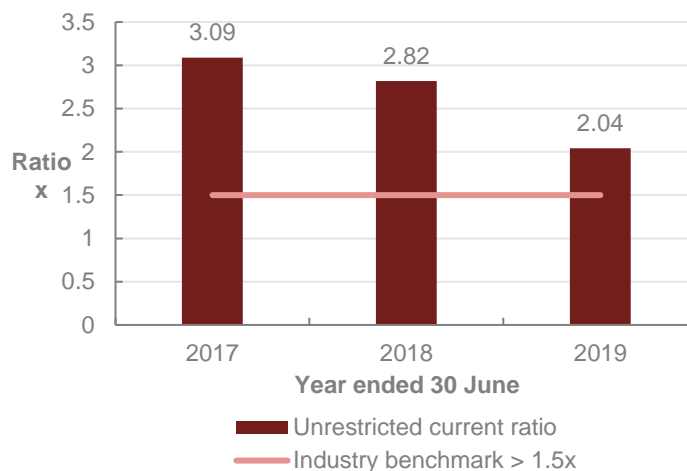
Unrestricted current ratio

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

The Council's liquidity ratio of 2.04 is above the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.

The Council's unrestricted current ratio has decreased from prior year mainly due to an increase in externally restricted cash.

Unrestricted current ratio

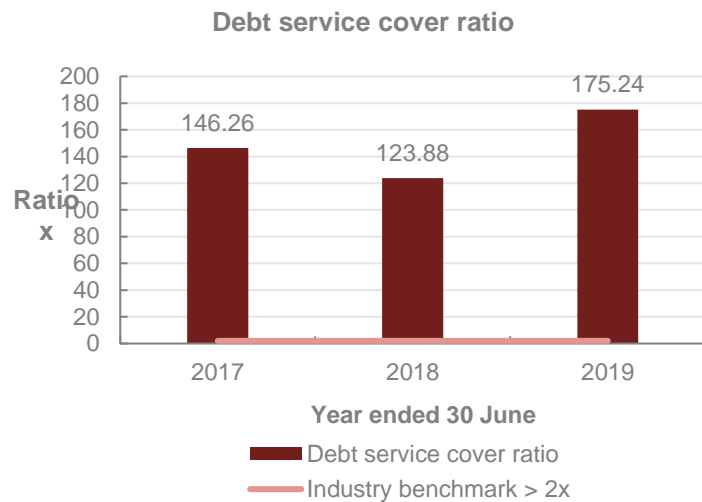


Debt service cover ratio

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

The Council's debt service cover ratio of 175.2 times is above the industry benchmark of greater than 2 times.

The Council's debt service cover ratio has increased from the prior year mainly due to the improved net operating result in 2018–19.

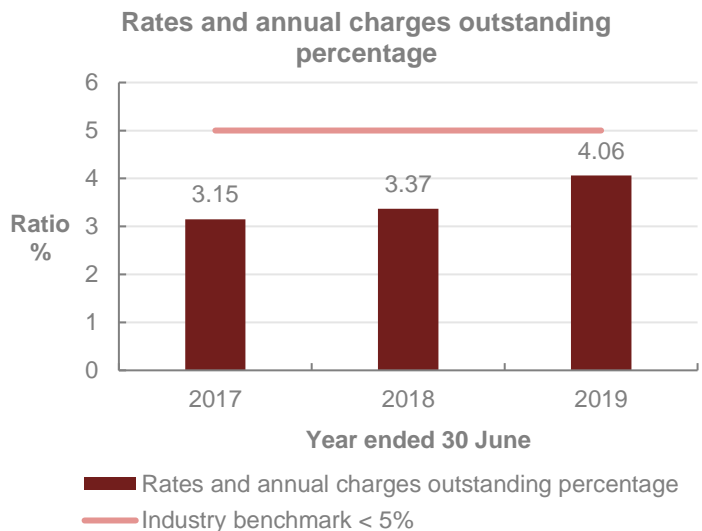


Rates and annual charges outstanding percentage

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

The Council's rates and annual charges outstanding percentage of 4.06% is within the benchmark of less than 5% for regional councils.

The prior year ratio was more favourable as there were lower rates and charges outstanding at year end.

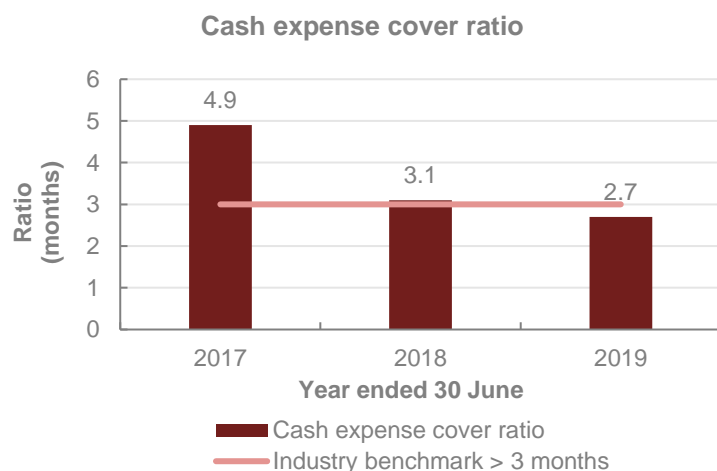


Cash expense cover ratio

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

The Council's cash expense cover ratio was 2.7 months, which is below the industry benchmark of greater than 3 months.

The Council does not have a cashflow issue because it holds \$52.1 million in floating rate notes that can be converted to cash at short notice.



Infrastructure, property, plant and equipment renewals

- Council's asset renewal additions for the year were \$31.4 million compared to \$25.6 million in the previous year
- Renewals mostly consisted of road and kerb and gutter upgrades
- The unaudited infrastructure renewals ratio was 147.1 per cent compared to 121.0 per cent in the prior year (benchmark set by OLG is 100)

OTHER MATTERS

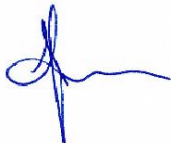
New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 are disclosed in Notes 6(b), 7 and 19.</p>

Legislative compliance

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

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



Aaron Green
Assistant Auditor-General

Delegate of the Auditor-General for New South Wales

cc: Mr Alan Young, City Manager
Mr Alan Travers, Chair of Audit and Risk Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Fairfield City Council

SPECIAL SCHEDULES

for the year ended 30 June 2019

"...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 2019

Contents

Page

Special Schedules

Permissible income for general rates

2

Independent Audit Report

3

Report on Infrastructure Assets

Report on Infrastructure Assets as at 30 June 2019

7

Infrastructure asset performance indicators (consolidated)

8

Infrastructure asset performance indicators (graphs)

9

Fairfield City Council

Permissible income for general rates
for the year ended 30 June 2020

\$'000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	82,550	80,163
Plus or minus adjustments ⁽²⁾	b	201	538
Notional general income	c = (a + b)	82,751	80,701
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.70%	2.30%
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	2,234	1,856
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	84,985	82,558
Plus (or minus) last year's carry forward total	l	(0)	(0)
Less valuation objections claimed in the previous year	m	—	(8)
Sub-total	n = (l + m)	(0)	(8)
Total permissible income	o = k + n	84,985	82,550
Less notional general income yield	p	84,985	82,550
Catch-up or (excess) result	q = o - p	(0)	(0)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year ⁽⁶⁾	t = q + r - s	(0)	(0)

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Fairfield City Council

To the Councillors of Fairfield City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Fairfield City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

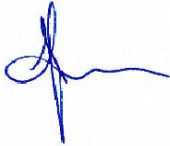
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does not provide assurance:

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

A handwritten signature in blue ink, consisting of a stylized 'A' followed by a horizontal line and a vertical line extending downwards.

Aaron Green
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 October 2019
SYDNEY

Fairfield City Council

Report on Infrastructure Assets as at 30 June 2019

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	2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	6,622	6,622	10,368	12,145	219,473	340,535	18%	33%	46%	2%	1%
	Sub-total	6,622	6,622	10,368	12,145	219,473	340,535	18.0%	33.0%	46.0%	2.0%	1.0%
Other structures	Park Infrastructure Assets	1,850	1,850	3,350	3,820	35,767	49,729	30%	30%	34%	2%	4%
	Sub-total	1,850	1,850	3,350	3,820	35,767	49,729	30.0%	30.0%	34.0%	2.0%	4.0%
Roads	Sealed roads	6,686	6,686	14,606	14,747	387,493	503,288	45%	32%	21%	2%	0%
	Bridges	143	143	248	474	39,409	47,755	57%	38%	5%	0%	0%
	Footpaths	2,068	2,068	2,718	3,917	100,472	123,095	44%	32%	22%	2%	0%
	Kerb & Gutter	2,957	2,957	2,745	5,189	151,352	192,023	42%	34%	22%	2%	0%
	Sub-total	11,854	11,854	20,317	24,327	678,726	866,161	44.9%	32.8%	20.5%	1.9%	0.0%
Stormwater drainage	Stormwater drainage	642	642	1,385	2,339	207,288	255,982	25%	59%	15%	1%	0%
	Sub-total	642	642	1,385	2,339	207,288	255,982	25.0%	59.0%	15.0%	1.0%	0.0%
	TOTAL – ALL ASSETS	20,968	20,968	35,420	42,631	1,141,254	1,512,407	35.0%	37.2%	25.7%	1.8%	0.4%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Fairfield City Council

Report on Infrastructure Assets (continued)
for the year ended 30 June 2019

	Amounts 2019	Indicator 2019	Prior periods 2018	2017	Benchmark
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio ⁽¹⁾					
Asset renewals ⁽²⁾	<u>31,367</u>	147.10%	121.02%	170.47%	>= 100%
Depreciation, amortisation and impairment	<u>21,323</u>				
2. Infrastructure backlog ratio ⁽¹⁾					
Estimated cost to bring assets to a satisfactory standard	<u>20,968</u>	1.84%	1.93%	1.94%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,141,254</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>42,631</u>	120.36%	122.41%	100.81%	> 100%
Required asset maintenance	<u>35,420</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>20,968</u>	1.39%	1.42%	1.39%	
Gross replacement cost	<u>1,512,407</u>				

Notes

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

(1) Excludes Work In Progress (WIP)

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

Fairfield City Council

Report on Infrastructure Assets (continued) for the year ended 30 June 2019

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: ——— Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 Ratio 147.10%</p> <p>Council's infrastructure renewals ratio is 1.47 which is higher than Tcorp benchmark of 1. This means council is funding sufficiently to renew its assets and keep them at satisfactory service level.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: ——— Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 Ratio 1.84%</p> <p>Council's infrastructure backlog ratio is 1.84% which is lower than Tcorp benchmark of 2%. This means that council has no major backlog of renewals on infrastructure assets and indicates that assets are renewed progressively.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: ——— Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #27</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 Ratio 120.36%</p> <p>Council's asset maintenance ratio is 120% which is higher than Tcorp benchmark of 100%. This means council is funding adequately in asset maintenance to minimise the infrastructure maintenance backlog.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2018/19 result</p> <p>2018/19 Ratio 1.39%</p> <p>Council's agreed service level ratio of 1.39% is lower than Tcorp benchmark of 3%. This means council is adequately funded to maintain the assets to provide agreed service level to the community.</p>