Albury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Albury City Council

General Purpose Financial Statements
for the year ended 30 June 2016

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Overview

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

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

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 24 October 2016. Council has the power to amend and reissue these financial statements.

Albury City Council

General Purpose Financial Statements
for the year ended 30 June 2016

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 October 2016.

Kevin Mack
Mayor

Amanda Cohn
Councillor

Frank Zaknich
General manager

Justin Finlayson
Responsible accounting officer

Albury City Council

Income Statement
for the year ended 30 June 2016

Budget 2016	$ '000	Notes	Actual 2016	Actual 2015
	Income from continuing operations			
	Revenue:			
61,675	Rates and annual charges	3a	62,365	56,819
35,381	User charges and fees	3b	37,192	37,099
2,312	Interest and investment revenue	3c	3,504	2,447
3,638	Other revenues	3d	4,571	8,938
13,897	Grants and contributions provided for operating purposes	3e,f	9,119	9,785
4,505	Grants and contributions provided for capital purposes	3e,f	15,435	12,596
	Other income:			
140	Net gains from the disposal of assets	5	–	–
121,548	Total income from continuing operations		132,186	127,684
	Expenses from continuing operations			
35,943	Employee benefits and on-costs	4a	34,848	34,069
3,674	Borrowing costs	4b	3,179	3,322
31,383	Materials and contracts	4c	25,348	24,288
26,524	Depreciation and amortisation	4d	26,486	26,112
11,136	Other expenses	4e	11,005	10,573
–	Net losses from the disposal of assets	5	1,035	2,857
–	Net share of interests in joint ventures and associates using the equity method	19	5	16
108,660	Total expenses from continuing operations		101,906	101,237
12,888	Operating result from continuing operations		**30,280**	**26,447**
12,888	Net operating result for the year		30,280	26,447
12,888	**Net operating result attributable to Council**		30,280	26,447
8,383	**Net operating result for the year before grants and contributions provided for capital purposes**		14,845	13,851

Albury City Council

Statement of Comprehensive Income
for the year ended 30 June 2016

$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		**30,280**	**26,447**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	27,901	55,570
Gain (loss) on revaluation of other reserves	20b (ii)	75	(270)
Total items which will not be reclassified subsequently to the operating result		*27,976*	*55,300*
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		**27,976**	**55,300**
Total comprehensive income for the year		58,256	81,747
Total comprehensive income attributable to Council		58,256	81,747

Albury City Council

Statement of Financial Position
as at 30 June 2016

$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	3,676	6,317
Investments	6b	87,832	62,569
Receivables	7	23,943	19,276
Inventories	8	4,501	4,661
Other	8	411	170
Total current assets		**120,363**	**92,993**
Non-current assets			
Receivables	7	–	5,220
Infrastructure, property, plant and equipment	9	1,174,454	1,132,809
Investments accounted for using the equity method	19	488	822
Intangible assets	25	1,650	1,575
Total non-current assets		**1,176,592**	**1,140,426**
TOTAL ASSETS		1,296,955	1,233,419
LIABILITIES			
Current liabilities			
Payables	10	10,386	10,436
Borrowings	10	3,976	3,413
Provisions	10	9,684	9,301
Total current liabilities		**24,046**	**23,150**
Non-current liabilities			
Borrowings	10	49,063	45,086
Provisions	10	3,683	3,276
Total non-current liabilities		**52,746**	**48,362**
TOTAL LIABILITIES		76,792	71,512
Net assets		1,220,163	1,161,907
EQUITY			
Retained earnings	20	712,188	681,908
Revaluation reserves	20	507,975	479,999
Council equity interest		1,220,163	1,161,907
Total equity		1,220,163	1,161,907

Albury City Council

Statement of Changes in Equity
for the year ended 30 June 2016

$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance		681,908	479,999	**1,161,907**	–	**1,161,907**
c. Net operating result for the year		**30,280**	**–**	**30,280**	**–**	**30,280**
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	27,901	**27,901**	–	**27,901**
– Revaluations: Intangible assets	20b (ii)	–	75	**75**	–	**75**
Other comprehensive income		**–**	**27,976**	**27,976**	**–**	**27,976**
Total comprehensive income (c&d)		**30,280**	**27,976**	**58,256**	**–**	**58,256**
Equity – balance at end of the reporting period		**712,188**	**507,975**	**1,220,163**	**–**	**1,220,163**

$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance		655,461	424,699	**1,080,160**	–	**1,080,160**
c. Net operating result for the year		26,447	–	**26,447**	–	**26,447**
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	55,570	**55,570**	–	**55,570**
– Revaluations: Intangible assets	20b (ii)	–	(270)	**(270)**	–	**(270)**
Other comprehensive income		**–**	**55,300**	**55,300**	**–**	**55,300**
Total comprehensive income (c&d)		**26,447**	**55,300**	**81,747**	**–**	**81,747**
Equity – balance at end of the reporting period		**681,908**	**479,999**	**1,161,907**	**–**	**1,161,907**

Albury City Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	$ '000	Notes	Actual 2016	Actual 2015
	Cash flows from operating activities			
	Receipts:			
61,510	Rates and annual charges		61,853	56,171
35,940	User charges and fees		39,492	36,747
2,268	Investment and interest revenue received		2,810	2,227
18,568	Grants and contributions		16,769	18,353
–	Bonds, deposits and retention amounts received		823	–
3,690	Other		5,602	12,633
	Payments:			
(35,652)	Employee benefits and on-costs		(34,441)	(34,305)
(30,070)	Materials and contracts		(28,710)	(26,048)
(3,523)	Borrowing costs		(3,129)	(3,195)
–	Bonds, deposits and retention amounts refunded		–	(98)
(11,052)	Other		(12,060)	(19,911)
41,679	**Net cash provided (or used in) operating activities**	11b	49,009	42,574
	Cash flows from investing activities			
	Receipts:			
545	Sale of real estate assets		557	672
424	Sale of infrastructure, property, plant and equipment		483	451
	Distributions received from joint ventures and associates		128	214
	Payments:			
–	Purchase of investment securities		(24,424)	(34,143)
(34,129)	Purchase of infrastructure, property, plant and equipment		(32,631)	(30,855)
(4,026)	Purchase of real estate assets		(288)	(35)
–	Contributions paid to joint ventures and associates		(15)	–
(37,186)	**Net cash provided (or used in) investing activities**		(56,190)	(63,696)
	Cash flows from financing activities			
	Receipts:			
8,050	Proceeds from borrowings and advances		7,950	2,600
	Payments:			
(3,846)	Repayment of borrowings and advances		(3,410)	(3,078)
4,204	**Net cash flow provided (used in) financing activities**		4,540	(478)
8,697	**Net increase/(decrease) in cash and cash equivalents**		(2,641)	(21,600)
34,854	Plus: **cash and cash equivalents – beginning of year**	11a	6,317	27,917
43,551	**Cash and cash equivalents – end of the year**	11a	3,676	6,317

Albury City Council

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

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

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

(ii) New and amended standards adopted by Council

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

(iii) Early adoption of accounting standards

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

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

(iv) Basis of accounting

These financial statements have been prepared under the historical cost convention as modified by the revaluation of classes of property, plant and equipment and real estate assets held for sale.

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

(v) Changes in accounting policies

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

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

(vi) Critical accounting estimates

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

Accordingly this requires management to exercise its judgement in the process of applying 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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Estimates and assumptions concerning the future will, by definition, seldom equal the related actual results.

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

(i) Estimated fair values of real estate assets held for sale

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

(iii) Estimated landfill remediation provision.

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

(b) Revenue recognition

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

User charges, fees and other Income

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

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

Sale of infrastructure, property, plant and equipment

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

Interest and rents

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

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

Other Income

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

(c) Principles of consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2015) and (ii) all the related operating results (for the financial year ended 30 June 2016).

(i) The Consolidated Fund

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

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

The following entities have been included as part of the consolidated fund:

- General purpose operations
- Water supply
- Sewerage service

(ii) The trust fund

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

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

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

(iii) Interests in other entities

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

(d) Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash **on hand**,
- deposits held **at call** with financial institutions, and
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

(f) Investments

- Council (in accordance with AASB 139) classifies each of its investments for measurement purposes as loans and receivables.

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

(i) Loans and receivables

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

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

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

Investments are carried at amortised cost using the effective interest method.

(g) Receivables

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.
Impairment losses are recognised in the Income Statement within other expenses.

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

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

(h) Inventories

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

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

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

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

(ii) Land held for resale

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

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

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

Acquisition of assets

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

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

- **Plant and equipment**
  (as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**
  (as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
  (external valuation)
- **Other structures**
  (as approximated by depreciated historical cost)
- **Roads assets including roads, bridges and footpaths**
  (internal valuation)
- **Drainage Assets** (internal valuation)
- **Water and sewerage networks**
  (internal valuation)
- **Other assets**
  (as approximated by depreciated historical cost)

Initial recognition

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement,
- General Fund infrastructure is indexed annually between full revaluations in accordance with the latest indices published in Rawlinson's Building Price Index.

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

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

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

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds $5,000.

Depreciation

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

Land is not depreciated.
Estimated useful lives for Council's I,PP&E include:

Plant and equipment	
- Plant & Equipment	3 to 25 years
- Office Equipment	4 to 10 years
- Furniture & Fittings	10 years
Buildings	
- Buildings	20 to 80 years
Stormwater Drainage	
- Stormwater Drainage	100 to 120 years
Transportation Assets	
- Roads, bridges & footpaths	15 to 240 years
Water and Sewer Assets	
- Water supply network	20 to 120 years
- Sewerage network	20 to 100 years
Other infrastructure assets	
- Land Improvements	34 years
- Library Books	10 years
- Other Assets	5 to 20 years
- Other Structures	10 to 40 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date. The estimated useful lives for Council's I,PP&E as detailed above are consistent with the prior year with the exception of the useful

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

life categories which were applied in the prior year as detailed below.

Plant and equipment	
- Furniture & Fittings	10 to 31 years
Buildings	
- Buildings	13 to 60 years
Transportation Assets	
- Roads, bridges & footpaths	5 to 100 years
Other infrastructure assets	
- Land Improvements	33 years
- Other Structures	10 to 30 years

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

Disposal and derecognition

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

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

(j) Land

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

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

(k) Land under roads

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

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

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

(l) Intangible assets

Council's High Security Water Licence is recognised as an Intangible asset and is tradable on the open water licence sales market. The licence valuation is based on the estimated market values as at balance date. No amortisation costs are applicable, as this asset has an indefinite life.

(m) 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.

(n) Rural fire service assets

Although under section 119 of the *Rural Fires Act 1997*, *'all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed'*, Council has not recognised rural fire service assets including land, buildings, plant and vehicles.

(o) Provision for landfill cell rehabilitation

Estimated landfill cell rehabilitation costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, based on the net present value of estimated future costs.

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

Provisions for landfill cell rehabilitation costs do not include any additional obligations that are expected to arise from future disturbance.

At each reporting date rehabilitation costs are reassessed to reflect changes in cost estimates, revisions to the estimated lives of operations and discount rates.

Although the actual cost to be incurred is uncertain, Council estimates the respective costs based on current rehabilitation standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period. This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b). The discount rate used is the risk free borrowing rate applicable to Council.

Other movements in the provision for landfill cell rehabilitation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised.

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

Specific information about Council's provision relating to landfill cell rehabilitation costs can be found at Note 26.

(p) Impairment of assets

Council assesses at each balance date whether there is objective evidence that an item of I,PP&E or group of I,PP&E items is impaired. No such objective evidence was uncovered as a result of this assessment.

(q) Payables

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

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

(r) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(s) Borrowing costs

Borrowing costs are expensed.

(t) Provisions

Provisions are recognised when:

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

(u) Employee benefits

(i) Short-term obligations

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

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

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

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

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

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

(ii) Other long-term obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined benefit plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.
As the as assets of the Scheme are pooled together for all member employers, insufficient information is available for Council to reliably account for its proportionate liability or asset in respect of the Scheme in the same way as it would for a single employer sponsored defined benefit plan.

Accordingly, Council's employer contributions to the Scheme have been accounted as an expense when they become payable.

Defined contribution plans

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

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.
These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2016.

(v) Allocation between current and non-current assets and liabilities

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

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

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

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

(aa) Taxes

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

Council complies with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST.

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

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

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

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

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

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

Council has not adopted any of these standards early.

Council has performed an assessment of the impact of all upcoming new standards and interpretations and have determined that all but AASB2015-6 are unlikely to have an effect on the balance sheet or income statement for Council prior to 1 July 2018. AASB2015-6 will impact disclosures but will have no financial implications.

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

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

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

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

(ac) Rounding of amounts

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

(ad) Comparative figures

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

(ae) Disclaimer

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

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

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
Functions/activities	**Income from continuing operations**			**Expenses from continuing operations**			**Operating result from continuing operations**			**Grants included in income from continuing operations**		**Total assets held (current & non-current)**	
	Original budget 2016	**Actual 2016**	Actual 2015	**Original budget 2016**	**Actual 2016**	Actual 2015	**Original budget 2016**	**Actual 2016**	Actual 2015	**Actual 2016**	Actual 2015	**Actual 2016**	Actual 2015
Governance	3	3	2	1,004	859	780	(1,001)	(856)	(778)	–	–	–	–
Administration	1,553	1,327	81	11,358	11,284	9,990	(9,805)	(9,957)	(9,909)	177	156	212,276	200,625
Public order and safety	837	771	771	2,126	1,820	1,923	(1,289)	(1,049)	(1,152)	205	215	358	303
Health	193	123	142	178	184	275	15	(61)	(133)	–	–	–	–
Environment	13,270	14,238	19,277	15,169	13,298	13,431	(1,899)	940	5,846	175	440	168,556	160,227
Community services and education	3,975	3,915	3,809	4,900	4,850	4,725	(925)	(935)	(916)	323	374	37,508	35,821
Housing and community amenities	1,746	1,632	1,905	5,514	4,796	5,587	(3,768)	(3,164)	(3,682)	173	177	413	9,430
Water supplies	15,392	18,080	16,000	9,867	9,366	12,002	5,525	8,714	3,998	164	162	245,221	232,828
Sewerage services	20,644	23,591	20,498	11,911	12,378	12,064	8,733	11,213	8,434	162	161	225,964	208,858
Recreation and culture	5,089	6,244	7,137	19,300	17,760	18,802	(14,211)	(11,516)	(11,665)	1,369	3,470	19,747	20,940
Mining, manufacturing and constructior	1,123	1,443	1,264	5,740	9,495	5,308	(4,617)	(8,052)	(4,044)	–	–	–	–
Transport and communication	14,823	16,106	12,943	19,602	13,840	13,988	(4,779)	2,266	(1,045)	1,911	672	382,622	359,638
Economic affairs	253	250	1,069	1,991	1,971	2,346	(1,738)	(1,721)	(1,277)	98	76	3,802	3,927
Total functions and activities	**78,901**	**87,723**	**84,898**	**108,660**	**101,901**	**101,221**	**(29,759)**	**(14,178)**	**(16,323)**	**4,757**	**5,903**	**1,296,467**	**1,232,597**
Share of gains/(losses) in associates and joint ventures (using the equity metho	–	–	60	–	5	–	–	(5)	60	–	–	488	822
General purpose income [1]	42,647	44,463	42,710	–	–	–	42,647	44,463	42,710	6,606	6,715		–
Operating result from continuing operations	**121,548**	**132,186**	**127,668**	**108,660**	**101,906**	**101,221**	**12,888**	**30,280**	**26,447**	**11,363**	**12,618**	**1,296,955**	**1,233,419**

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

FUEL AND ENERGY – Gas supplies

AGRICULTURE

Includes the administration of agricultural services; supervision and regulation of the agricultural industry; operation of flood control and irrigation systems; and operation of support services to farmers, including vet services, pest control services, crop inspection, and crop grading services.

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Note 3. Income from continuing operations

$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		25,870	24,788
Farmland		504	532
Business		9,747	9,445
Total ordinary rates		**36,121**	**34,765**
Special rates			
Parking		480	468
Promotional levy		143	140
Total special rates		**623**	**608**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		5,811	4,197
Stormwater management services		218	164
Water supply services		3,316	2,873
Sewerage services		16,276	14,212
Total annual charges		**25,621**	**21,446**
TOTAL RATES AND ANNUAL CHARGES		62,365	56,819

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		11,346	9,852
Sewerage services		2,683	2,864
Drainage services		503	450
Waste management services (non-domestic)		7,925	8,730
Total user charges		**22,457**	**21,896**
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		1,784	1,598
Private works – section 67		256	661
Section 603 certificates		147	127
Total fees and charges – statutory/regulatory		**2,187**	**2,386**
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		5,852	5,816
Cemeteries		958	981
Child care		2,264	2,155
Community centres		1,189	1,426
Leaseback fees – Council vehicles		199	189
Swimming centres		25	25
Water sales and charges		873	954
Carbon tax		–	217
Sporting ground fees		54	80
Other		1,134	974
Total fees and charges – other		**12,548**	**12,817**
TOTAL USER CHARGES AND FEES		37,192	37,099

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		134	132
– Interest earned on investments (interest and coupon payment income)		2,531	2,315
Fair value adjustments			
– Fair valuation movements in investments		839	–
TOTAL INTEREST AND INVESTMENT REVENUE		3,504	2,447
(d) Other revenues			
Rental income – other council properties		885	769
Ex gratia rates		–	31
Fines – parking		250	243
Fines – other		53	26
Legal fees recovery – rates and charges		248	175
Sales – general		1,003	1,124
Reversal of carbon tax provision		–	4,937
Albury Entertainment Centre catering		905	515
Children's services		870	658
Landfill provison adjustment		–	460
Workers Compensation		357	–
TOTAL OTHER REVENUE		4,571	8,938

Note 3. Income from continuing operations (continued)

$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	4,841	4,962	–	–
Financial assistance – local roads componen	1,272	1,270	–	–
Pensioners' rates subsidies – general component	493	483	–	–
Total general purpose	**6,606**	**6,715**	**–**	**–**
Specific purpose				
Pensioners' rates subsidies:				
– Water	164	162	–	–
– Sewerage	162	161	–	–
Community centres	159	285	–	–
Employment and training programs	53	83	–	–
Heritage and cultural	130	135	1,239	3,032
LIRS subsidy	62	–	–	–
Street lighting	173	170	–	–
Transport	73	73	1,722	599
Other	641	1,084	179	119
Total specific purpose	**1,617**	**2,153**	**3,140**	**3,750**
Total grants	**8,223**	**8,868**	**3,140**	**3,750**
Grant revenue is attributable to:				
– Commonwealth funding	6,426	6,994	2,776	3,074
– State funding	1,749	1,874	364	676
– Other funding	48	–	–	–
	8,223	**8,868**	**3,140**	**3,750**
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	638	1,562
S 94A – fixed development consent levies	–	–	322	140
S 64 – water supply contributions	–	–	588	999
S 64 – sewerage service contributions	–	–	1,570	1,355
Total developer contributions 17	**–**	**–**	**3,118**	**4,056**
Other contributions:				
Dedications (other than by S94) (in-kind)	–	–	7,949	4,178
RMS contributions (regional roads, block grant)	573	477	–	–
Recognition of art work (in-kind)	–	–	670	70
Philanthropy MAMA	–	–	558	344
Other	323	440	–	198
Total other contributions	**896**	**917**	**9,177**	**4,790**
Total contributions	896	917	12,295	8,846
TOTAL GRANTS AND CONTRIBUTIONS	9,119	9,785	15,435	12,596

Note 3. Income from continuing operations (continued)

$ '000	Actual 2016	Actual 2015
(g) Restrictions relating to grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	2,059	5,528
Add: grants and contributions recognised in the current period but not yet spent:	426	1,874
Less: grants and contributions recognised in a previous reporting period now sper	(1,500)	(5,343)
Net increase (decrease) in restricted assets during the period	**(1,074)**	**(3,469)**
Unexpended and held as restricted assets	985	2,059
Comprising:		
– Specific purpose unexpended grants	454	1,322
– Developer contributions	531	737
	985	**2,059**

Note 4. Expenses from continuing operations

$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		28,280	27,740
Travel expenses		100	102
Employee leave entitlements (ELE)		3,241	3,247
Superannuation – defined contribution plans		2,432	2,364
Superannuation – defined benefit plans		1,069	1,067
Workers' compensation insurance		535	775
Fringe benefit tax (FBT)		318	282
Payroll tax		199	173
Training costs (other than salaries and wages)		695	636
Total employee costs		**36,869**	**36,386**
Less: capitalised costs		(2,021)	(2,317)
TOTAL EMPLOYEE COSTS EXPENSED		34,848	34,069
Number of 'full-time equivalent' employees (FTE) at year end		**426**	**412**
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		**464**	**456**
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,129	3,195
Total interest bearing liability costs expensed		**3,129**	**3,195**
(ii) Other borrowing costs			
Amortisation of rehabilitation provision discount	26	50	127
Total other borrowing costs		**50**	**127**
TOTAL BORROWING COSTS EXPENSED		3,179	3,322

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		14,242	13,658
Contractor and consultancy costs		9,243	8,461
Auditors remuneration [1]		78	95
Legal expenses:			
– planning and development		54	34
– other		204	257
Operating leases:			
– Operating lease rentals	[2]	423	437
Internal audit		57	53
Other		1,047	1,293
Total materials and contracts		**25,348**	**24,288**
TOTAL MATERIALS AND CONTRACTS		25,348	24,288

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor:

(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor	78	95
Remuneration for audit and other assurance services	**78**	**95**
Total Auditor remuneration	**78**	**95**

2. Operating lease payments are attributable to:

Computers	365	380
Other	58	57
	423	**437**

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Impairment costs Actual 2016	Impairment costs Actual 2015	Depreciation/amortisation Actual 2016	Depreciation/amortisation Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		–	–	846	786
Office equipment		–	–	358	388
Furniture and fittings		–	–	163	310
Land improvements		–	–	1,106	1,028
Infrastructure:					
– Buildings		–	–	3,826	4,258
– Other structures		–	–	328	386
– Roads, bridges and footpaths		–	–	8,137	7,558
– Stormwater drainage		–	–	1,746	1,660
– Water supply network		–	–	5,785	5,739
– Sewerage network		–	–	3,922	3,786
Other assets					
– Library books		–	–	193	175
– Other		–	–	23	25
Landfill Cell Rehabilitation costs	9 & 26	–	–	53	13
Total depreciation and impairment costs		**–**	**–**	**26,486**	**26,112**
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		–	–	26,486	26,112

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		212	260
Bad and doubtful debts		28	97
Contributions/levies to other levels of government			
– NSW fire brigade levy		424	408
– NSW rural fire service levy		195	153
– Other contributions/levies		35	40
Councillor expenses – mayoral fee		49	53
Councillor expenses – councillors' fees		161	161
Councillors' expenses (incl. mayor) – other (excluding fees above)		17	13
Donations, contributions and assistance to other organisations (Section 356)		988	819
Election expenses		67	62
Electricity and heating		3,735	4,683
Insurance		1,100	1,071
Street lighting		1,162	1,197
Refund of Carbon Tax		833	–
Conferences and seminars		143	110
Equipment purchases		496	434
Marketing		511	709
Rent and hire charges		302	281
Other		547	22
TOTAL OTHER EXPENSES		11,005	10,573

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	Actual 2016	Actual 2015
Plant and equipment			
Proceeds from disposal – plant and equipment		483	451
Less: carrying amount of plant and equipment assets sold/written off		(253)	(366)
Net gain/(loss) on disposal		**230**	**85**
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,401)	(3,327)
Net gain/(loss) on disposal		**(1,401)**	**(3,327)**
Real estate assets held for sale			
Proceeds from disposal – real estate assets		557	672
Less: carrying amount of real estate assets sold/written off		(421)	(287)
Net gain/(loss) on disposal		**136**	**385**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,035)	(2,857)

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

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

$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,676	–	1,217	–
Cash-equivalent assets					
– Deposits at call		2,000	–	5,100	–
Total cash and cash equivalents		**3,676**	**–**	**6,317**	**–**
Investments (Note 6b)					
– Term deposits		87,832	–	62,569	–
Total investments		**87,832**	**–**	**62,569**	**–**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		91,508	–	68,886	–
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:					
Cash and cash equivalents					
a. 'Loans and receivables'		**3,676**	**–**	**6,317**	**–**
Investments					
b. 'Held to maturity'		–	–	62,569	–
c. 'Loans and receivables'		87,832	–	–	–
Investments		**87,832**	**–**	**62,569**	**–**

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

$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Total cash, cash equivalents and investments	91,508	–	68,886	–
attributable to:				
External restrictions (refer below)	54,412	–	39,980	–
Internal restrictions (refer below)	17,289	–	15,313	–
Unrestricted	19,807	–	13,593	–
	91,508	**–**	**68,886**	**–**

2016 $ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions					
External restrictions – other					
Developer contributions – general	(A)	524	975	(968)	531
Developer contributions – water fund	(A)	89	588	(677)	–
Developer contributions – sewer fund	(A)	124	1,570	(1,694)	–
Specific purpose unexpended grants	(B)	1,322	356	(1,224)	454
Water supplies	(C)	18,794	5,517	–	24,311
Sewerage services	(C)	18,526	8,958	–	27,484
Domestic waste management	(C)	601	1,031	–	1,632
External restrictions – other		39,980	18,995	(4,563)	54,412
Total external restrictions		**39,980**	**18,995**	**(4,563)**	**54,412**

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

2016 $ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	2,215	106	–	2,321
Carry over works (net of loans not taken up)	3,216	3,275	–	6,491
Deposits, retentions and bonds	884	833	–	1,717
Prepaid burial contributions	1,303	77	–	1,380
Elections	175	62	–	237
Landfill rehabilitation	1,833	323	–	2,156
Tabletop community centre	4	–	–	4
Community fund	337	–	(79)	258
Carbon tax	5,346	–	(2,621)	2,725
Total internal restrictions	**15,313**	**4,676**	**(2,700)**	**17,289**
TOTAL RESTRICTIONS	55,293	23,671	(7,263)	71,701

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

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

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

Note 7. Receivables

$ '000	Notes	2016 Current	2016 Non-current	2015 Current	2015 Non-current
Purpose					
Rates and annual charges		7,539	–	7,027	–
User charges and fees		9,511	–	9,468	–
Accrued revenues					
– Interest on investments		572	–	717	–
– Other income accruals		258	–	999	–
Government grants and subsidies		346	–	760	–
Multi deck carpark		5,220	–	–	5,220
Other debtors		647	–	427	–
Total		**24,093**	**–**	**19,398**	**5,220**
Less: provision for impairment					
User charges and fees		(150)	–	(122)	–
Total provision for impairment – receivables		**(150)**	**–**	**(122)**	**–**
TOTAL NET RECEIVABLES		23,943	–	19,276	5,220
Externally restricted receivables					
Water supply					
– Specific purpose grants		164	–	162	–
– Rates and availability charges		1,262	–	1,144	–
– Other		5,219	–	3,978	–
Sewerage services					
– Specific purpose grants		162	–	161	–
– Rates and availability charges		5,350	–	4,958	–
– Other		1,760	–	1,678	–
Total external restrictions		**13,917**	**–**	**12,081**	**–**
Internally restricted receivables					
Nil					
Unrestricted receivables		**10,026**	**–**	**7,195**	**5,220**
TOTAL NET RECEIVABLES		23,943	–	19,276	5,220

Note 8. Inventories and other assets

$ '000	Notes	2016 Current	2016 Non-current	2015 Current	2015 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resal	(refer pg 37)	3,794	–	3,927	–
Stores and materials		523	–	591	–
Trading stock		28	–	–	–
Other		156	–	143	–
Total inventories at cost		**4,501**	**–**	**4,661**	**–**
TOTAL INVENTORIES		4,501	–	4,661	–
(b) Other assets					
Prepayments		411	–	170	–
TOTAL OTHER ASSETS		411	–	170	–
Externally restricted inventories					
Water					
Stores and materials		257	–	296	–
Total water		**257**	**–**	**296**	**–**
Sewerage					
Stores and materials		18	–	41	–
Total sewerage		**18**	**–**	**41**	**–**
Total externally restricted inventories		275	–	337	–
Total unrestricted inventories and otl		4,637	–	4,494	–
TOTAL INVENTORIES AND OTHER ASSETS		**4,912**	**–**	**4,831**	**–**

Note 8. Inventories and other assets (continued)

$ '000		2016 Current	2016 Non-current	2015 Current	2015 Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		658	–	625	–
Industrial/commercial		3,136	–	3,302	–
Total real estate for resale		**3,794**	**–**	**3,927**	**–**
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		3,151	–	3,329	–
Development costs		643	–	598	–
Total costs		**3,794**	**–**	**3,927**	**–**
Less: provision for under recovery		–	–	–	–
Total real estate for resale		**3,794**	**–**	**3,927**	**–**
Movements:					
Real estate assets at beginning of the year		3,927	–	4,179	–
– Purchases and other costs		288	–	35	–
– WDV of sales (expense)	5	(421)	–	(287)	–
Total real estate for resale		**3,794**	**–**	**3,927**	**–**

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2016	2015
Real estate for resale	2,549	3,383
	2,549	**3,383**

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

Note 9a. Infrastructure, property, plant and equipment

$ '000	as at 30/6/2015 At cost	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value	Asset movements during the reporting period: Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Adjustments and transfers	Revaluation increments/ decrements to equity (ARR)	as at 30/6/2016 At cost	At fair value	Accumulated depreciation	Accumulated impairment	Carrying value
Capital work in progress	17,692	–	–	–	17,692	2,321	6,514	–	–	(16,445)	–	10,089	–	–	–	10,089
Plant and equipment	–	21,805	13,679	–	8,126	176	1,539	(253)	(846)	(44)	–	–	21,887	13,189	–	8,698
Office equipment	–	5,853	4,571	–	1,282	247	–	–	(358)	105	–	–	6,161	4,885	–	1,276
Furniture and fittings	–	4,330	2,915	–	1,415	–	–	–	(163)	(13)	–	–	4,330	3,091	–	1,239
Land:																
– Operational land	–	35,519	–	–	35,519	–	717	–	–	(50)	(354)	–	35,832	–	–	35,832
– Community land	–	36,718	–	–	36,718	–	977	–	–	16	(359)	–	37,352	–	–	37,352
– Land under roads (post 30/6/08)	–	198	–	–	198	–	74	–	–	–	–	–	272	–	–	272
Land improvements – non-depreciable	–	1,794	–	–	1,794	–		–	–	1	–	–	1,795	–	–	1,795
Land improvements – depreciable	–	38,635	11,144	–	27,491	1,275	–	–	(1,106)	(431)	(136)	–	39,450	12,357	–	27,093
Infrastructure:																
– Buildings	–	193,140	92,252	–	100,888	2,794	1,464	(336)	(3,826)	10,123	(10,277)	–	209,164	108,334	–	100,830
– Other structures	–	8,785	3,905	–	4,880	29	323	–	(328)	(43)	57	–	9,259	4,341	–	4,918
– Roads, bridges and footpaths	–	574,979	219,397	–	355,582	10,297	3,799	(600)	(8,137)	3,646	15,239	–	607,861	228,035	–	379,826
– Stormwater drainage	–	202,516	47,210	–	155,306	84	2,565	(41)	(1,746)	1	7,595	–	214,432	50,668	–	163,764
– Water supply network	–	393,995	189,178	–	204,817	1,447	1,128	(366)	(5,785)	151	6,545	–	409,378	201,441	–	207,937
– Sewerage network	–	325,461	152,508	–	172,953	904	1,984	(58)	(3,922)	2,818	9,591	–	345,907	161,637	–	184,270
Other assets:																
– Library books	–	2,562	1,267	–	1,295	–	179	–	(193)	1	–	–	2,741	1,459	–	1,282
– Other	–	7,044	191	–	6,853	–	701	–	(23)	7	–	–	7,757	219	–	7,538
Reinstatement, rehabilitation and restoration assets (refer Note 26)**:**																
– Landfill rehabilitation and cell assets	–	872	872	–	–	–	496	–	(53)	–	–	–	1,369	926	–	443
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	**17,692**	**1,854,206**	**739,089**	**–**	**1,132,809**	**19,574**	**22,460**	**(1,654)**	**(26,486)**	**(157)**	**27,901**	**10,089**	**1,954,947**	**790,582**	**–**	**1,174,454**

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

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

$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying amount	At cost	At fair value	A/Dep & impairm't	Carrying amount
Water supply								
WIP	2,756	–	–	**2,756**	221	–	–	**221**
Plant and equipment	–	–	–	**–**	–	454	454	**–**
Office equipment	–	–	–	**–**	–	9	9	**–**
Land								
– Operational land	–	1,170	–	**1,170**	–	1,154	–	**1,154**
– Community land	–	527	–	**527**	–	557	–	**557**
Buildings	–	1,237	984	**253**	–	1,213	941	**272**
Infrastructure	–	409,378	201,443	**207,935**	–	393,994	189,178	**204,816**
Total water supply	**2,756**	**412,312**	**202,427**	**212,641**	**221**	**397,381**	**190,582**	**207,020**
Sewerage services								
WIP	489	–	–	**489**	2,977	–	–	**2,977**
Plant and equipment	–	–	–	**–**	–	95	95	**–**
Office equipment	–	–	–	**–**	–	58	58	**–**
Land								
– Operational land	–	5,131	–	**5,131**	–	5,237	–	**5,237**
– Community land	–	321	–	**321**	–	1,084	–	**1,084**
– Improvements - depreciable	–	114	17	**97**	–	114	14	**100**
Buildings	–	2,599	1,789	**810**	–	2,548	1,677	**871**
Other structures	–	133	60	**73**	–	130	51	**79**
Infrastructure	–	345,907	161,637	**184,270**	–	325,461	152,510	**172,951**
Total sewerage services	**489**	**354,205**	**163,503**	**191,191**	**2,977**	**334,727**	**154,405**	**183,299**
TOTAL RESTRICTED I,PP&E	**3,245**	**766,517**	**365,930**	**403,832**	**3,198**	**732,108**	**344,987**	**390,319**

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

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

Note 10a. Payables, borrowings and provisions

$ '000	Notes	2016 Current	2016 Non-current	2015 Current	2015 Non-current
Payables					
Goods and services		4,920	–	5,773	–
Payments received in advance		1,889	–	1,459	–
Accrued expenses:					
– Other expenditure accruals		1,870	–	2,320	–
Security bonds, deposits and retentions		1,707	–	884	–
Total payables		**10,386**	**–**	**10,436**	**–**
Borrowings					
Loans – secured		3,976	49,063	3,413	45,086
Total borrowings		**3,976**	**49,063**	**3,413**	**45,086**
Provisions					
Employee benefits:					
Annual leave		2,986	–	2,842	–
Long service leave		6,698	557	6,459	479
Sub-total – aggregate employee benefits		**9,684**	**557**	**9,301**	**479**
Landfill cell rehabilitation	26	–	3,126	–	2,580
Under recovery on real estate joint venture		–	–	–	217
Total provisions		**9,684**	**3,683**	**9,301**	**3,276**
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		24,046	52,746	23,150	48,362

(i) Liabilities relating to restricted assets

	2016 Current	2016 Non-current	2015 Current	2015 Non-current
Externally restricted assets				
Water	661	27	1,167	32
Sewer	2,107	8,843	2,049	10,398
Liabilities relating to externally restricted assets	2,768	8,870	3,216	10,430
Internally restricted assets				
Nil				
Total liabilities relating to restricted assets	2,768	8,870	3,216	10,430
Total liabilities relating to unrestricted assets	21,278	43,876	19,934	37,932
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	24,046	52,746	23,150	48,362

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	6,328	6,312
	6,328	**6,312**

Note 11. Statement of cash flows – additional information

$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	3,676	6,317
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		**3,676**	**6,317**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**30,280**	**26,447**
Adjust for non-cash items:			
Depreciation and amortisation		26,486	26,112
Net losses/(gains) on disposal of assets		1,035	2,857
Non-cash capital grants and contributions		(8,764)	(4,248)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(839)	–
– Other (Intangible Assets)		75	(270)
Amortisation of premiums, discounts and prior period fair valuations			
Unwinding of discount rates on reinstatement provisions		50	127
Share of net (profits) or losses of associates/joint ventures		5	(60)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		525	(3,064)
Increase/(decrease) in provision for doubtful debts		28	(179)
Decrease/(increase) in inventories		27	53
Decrease/(increase) in other assets		(241)	1
Increase/(decrease) in payables		(853)	595
Increase/(decrease) in other accrued expenses payable		(450)	221
Increase/(decrease) in other liabilities		1,253	(307)
Increase/(decrease) in employee leave entitlements		461	(159)
Increase/(decrease) in other provisions		(69)	(5,552)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**49,009**	**42,574**

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

$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		6,081	3,124
S64 contributions "in kind"		2,013	1,054
Other dedications		670	70
Total non-cash investing and financing activities		**8,764**	**4,248**
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities (1)		1,000	1,000
Credit cards/purchase cards		300	300
Total financing arrangements		**1,300**	**1,300**
Amounts utilised as at balance date:			
– Bank overdraft facilities		–	–
– Credit cards/purchase cards		–	–
Total financing arrangements utilised		**–**	**–**

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

Note 12. Commitments for expenditure

$ '000	Notes	Actual 2016	Actual 2015
(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			
- Construction of Murray Art Museum Albury (MAMA)		–	432
- Kerr Road reconstruction stages 1 & 2 & Sewer Rising Main		72	578
- Thurgoona sewerage augmentation		–	371
- Rehabilitation of existing sewer mains (structural relining)		–	257
- Upgrade of air conditioning system - Lauren Jackson Sports Centre		–	348
- Glenmorus Gardens development (section 15A)		–	390
- Fleet Purchases - 3 Trucks		–	237
- Upgrade Albury Water Filtration Plant B to DAFF		2,541	–
- Contruction of Regional Rescource Centre		804	–
- Air Supply Pipework: Waterview WWTP		58	–
- Albury Airport: Terminal Upgrade & Taxiway		876	–
- Youth Café Construction		269	–
- Racecourse Road Reconstruction Stage 2		323	–
- Dean Street Streetscape		431	–
- Lab Management System Waterview		50	–
- Mudge Street Reconstruction Works		1,088	–
Total commitments		**6,512**	**2,613**
These expenditures are payable as follows:			
Within the next year		6,512	2,613
Total payable		**6,512**	**2,613**
(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		306	376
Later than one year and not later than 5 years		1,017	826
Total non-cancellable operating lease commitments		**1,323**	**1,202**

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.

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

$ '000	Amounts 2016	Indicator 2016	Prior periods 2015	2014
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses	15,046	12.98%	14.53%	2.46%
Total continuing operating revenue [1] excluding capital grants and contributions	115,912			
2. Own source operating revenue ratio				
Total continuing operating revenue [1] excluding all grants and contributions	106,793	81.31%	82.47%	79.00%
Total continuing operating revenue [1]	131,347			
3. Unrestricted current ratio				
Current assets less all external restrictions [2]	49,210	3.29x	2.73x	2.56x
Current liabilities less specific purpose liabilities [3, 4]	14,950			
4. Debt service cover ratio				
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	44,711	6.79x	7.21x	4.90x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,589			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	7,539	10.80%	11.07%	11.56%
Rates, annual and extra charges collectible	69,774			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits x12	91,508	13.43 mths	9.5 mths	8.5 mths
Payments from cash flow of operating and financing activities	6,813			

Notes

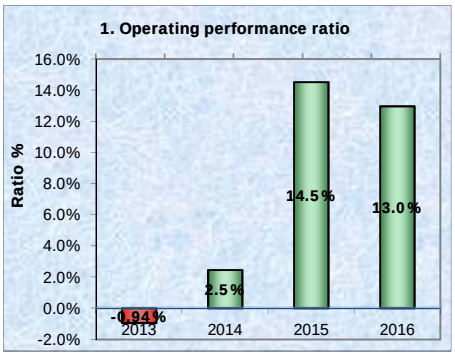
[1] Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

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

[3] Refer to Note 10(a).

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

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

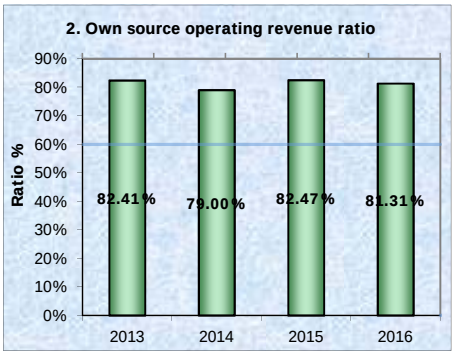


Purpose of operating performance ratio
This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2015/16 result
2015/16 ratio 12.98%
Over the past four years the trend has been for improved revenue whilst costs have been contained. The 2014/15 result included the reversal of Council's Carbon Tax Provision of $4.9M.

Benchmark: ——— Minimum >=0.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

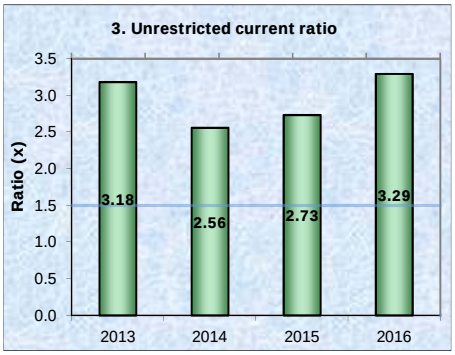


Purpose of own source operating revenue ratio
This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2015/16 result
2015/16 ratio 81.31%
Over 80% of AlburyCity's operating revenue is generated from own sources, including rates and user charges.

Benchmark: ——— Minimum >=60.00%
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark



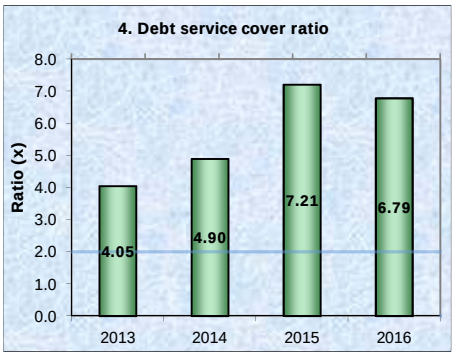
Purpose of unrestricted current ratio
To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2015/16 result
2015/16 ratio 3.29x
The improvement in this ratio reflects the better than budget financial result for the 2015/16 financial year and also the reclassification of the $5.2million multideck carpark contractual debtor as a current asset.

Benchmark: ——— Minimum >=1.50
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

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

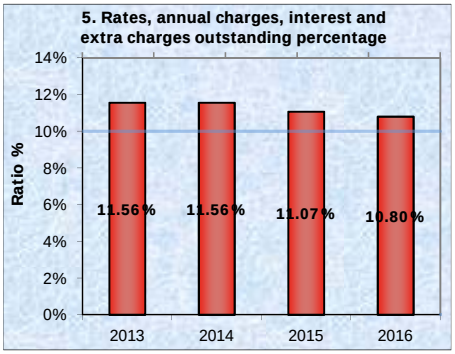


Purpose of debt service cover ratio
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2015/16 result
2015/16 ratio 6.79x
Demonstrates that suffient cash is being generated from operations to fund loan repayments when compared to the minimum benchmark.

Benchmark: ——— Minimum >=2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

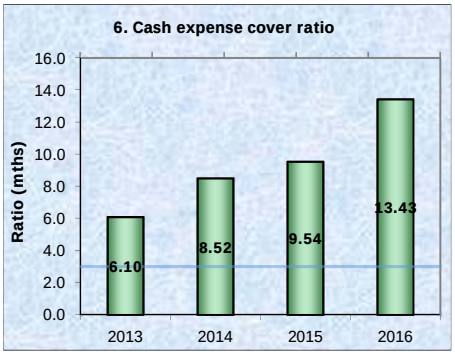


Purpose of rates and annual charges outstanding ratio
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2015/16 result
2015/16 ratio 10.80%
The majority of the outstanding balance relates to the 3rd water bill that is not payable until after year end. The value of arrears has decreased compared to the prior year.

Benchmark: ——— Maximum <10.00%
Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio is within Benchmark
Ratio is outside Benchmark



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

Commentary on 2015/16 result
2015/16 ratio 13.43 mths
This increase is mainly due to additional restricted funds held including Water Fund $5.5million and Sewer Fund $9million.

Benchmark: ——— Minimum >=3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark
Ratio is outside benchmark

Note 13b. Statement of performance measurement – indicators (by fund)

$ '000		Water 2016	Sewer 2016	General [5] 2016
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue [(1)] excluding capital grants and contributions less operating expenses / Total continuing operating revenue [(1)] excluding capital grants and contributions		**29.18%**	**30.01%**	**5.01%**
	prior period:	10.79%	25.32%	12.75%
2. Own source operating revenue ratio				
Total continuing operating revenue [(1)] excluding all grants and contributions / Total continuing operating revenue [(1)]		**91.18%**	**87.70%**	**77.63%**
	prior period:	89.78%	89.78%	79.55%
3. Unrestricted current ratio				
Current assets less all external restrictions [(2)] / Current liabilities less specific purpose liabilities [(3, 4)]		**47.22x**	**16.50x**	**3.29x**
	prior period:	20.89x	12.38x	2.73x
4. Debt service cover ratio				
Operating result [(1)] before capital excluding interest and depreciation/impairment/amortisation / Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)		**0.00**	**4.88x**	**5.31x**
	prior period:	0.00x	4.21x	7.08x
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible		**38.06%**	**32.87%**	**1.85%**
	prior period:	39.82%	34.89%	1.99%
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits / Payments from cash flow of operating and financing activities x12		**41.73 mths**	**31.16 mths**	**7.43 mths**
	prior period:	39.54 mths	20.80 mths	5.36 mths

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Note 14. Investment properties

$ '000	Notes	Actual 2016	Actual 2015

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

$ '000

Risk management

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

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

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

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

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

Note 15. Financial risk management (continued)

$ '000

Council's principal objective is to preserve capital, while maintaining an adequate level of liquidity, whilst seeking to optimise its return on cash and investments.

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

Council's investment are mainly represented by fixed interest term deposits.

The risks associated with the investments held are:

– **Liquidity risk** – the risk that there would be insufficent funds available for Council's operations.

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
2016	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 1% movement in interest rates	915	915	(915)	(915)
2015				
Possible impact of a 1% movement in interest rates	689	689	(689)	(689)

Note 15. Financial risk management (continued)

$ '000

(b) Credit risk

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

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors. Technically rates and other charges are not financial instruments, but are included below for completeness.

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	87%	90%	87%	88%
Overdue	13%	10%	13%	12%
	100%	**100%**	**100%**	**100%**

		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	**Other receivables**				
Current	Current	6,562	14,940	6,096	15,415
Overdue	0 – 30 days overdue	977	131	931	441
	30 – 60 days overdue	–	55	–	253
	60 – 90 days overdue	–	183	–	392
	> 90 days overdue	–	1,245	–	1,090
		7,539	**16,554**	**7,027**	**17,591**

	2016	2015
(iii) Movement in provision for impairment of receivables		
Balance at the beginning of the year	122	301
+ new provisions recognised during the year	57	41
– amounts already provided for and written off this year	(14)	(137)
– amounts provided for but recovered during the year	(15)	(83)
Balance at the end of the year	**150**	**122**

Note 15. Financial risk management (continued)

$ '000

(c) Liquidity risk

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

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

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

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

$ '000	Subject to no maturity	payable in: ≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total cash outflows	Actual carrying values
2016									
Trade/other payables	1,707	6,792	–	–	–	–	–	8,499	**8,497**
Loans and advances		7,469	7,237	6,109	5,326	4,381	34,666	65,188	**53,039**
Total financial liabilities	**1,707**	**14,261**	**7,237**	**6,109**	**5,326**	**4,381**	**34,666**	**73,687**	**61,536**
2015									
Trade/other payables	884	8,093	–	–	–	–	–	8,977	**8,977**
Loans and advances	–	6,852	6,932	6,700	5,572	4,789	30,459	61,304	**48,499**
Total financial liabilities	**884**	**14,945**	**6,932**	**6,700**	**5,572**	**4,789**	**30,459**	**70,281**	**57,476**

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

The following interest rates were applicable to Council's borrowings at balance date:	2016 Carrying value	2016 Average interest rate	2015 Carrying value	2015 Average interest rate
Trade/other payables	8,497	0.00%	8,977	0.00%
Loans and advances – fixed interest rate	53,039	6.60%	48,499	6.90%
	61,536		57,476	

Note 16. Material budget variations

$ '000

Council's original financial budget for 15/16 was adopted by the Council on 22 June 2015.

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

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

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

$ '000	2016 Budget	2016 Actual	2016 Variance*		
REVENUES					
Rates and annual charges	**61,675**	**62,365**	**690**	1%	F
User charges and fees	**35,381**	**37,192**	**1,811**	5%	F
Interest and investment revenue	**2,312**	**3,504**	**1,192**	52%	F
AlburyCity received $838,983 from the liquidators of Lehman Brothers Australia which was not budgeted for.					
Other revenues	**3,638**	**4,571**	**933**	26%	F
More income was received than budgeted from childcare ($213K), Albury Entertainment Centre catering ($121K) and Workers Compensation premium refund ($357K).					
Operating grants and contributions	**13,897**	**9,119**	**(4,778)**	(34%)	U
The budgeted grant funding for the Davey Road Interchange Southern Ramps Project of $5 million for the 2015/16 financial year was not realised as AlburyCity was unsuccessful in obtaining funding from the State Government.					
Capital grants and contributions	**4,505**	**15,435**	**10,930**	243%	F
Non-cash asset dedications of $7.9 million were recognised which were not budgeted for as the amount is difficult to predict. Developer cash contributions received were $1.1 million more than budget. MAMA capital grant funding of $1 million was received which was budgeted to be received in the prior year.					
Net gains from disposal of assets	**140**	**–**	**(140)**	(100%)	U
A net loss was recognised rather than a net gain, refer net losses from disposal of assets below.					

Note 16. Material budget variations (continued)

$ '000	2016 Budget	2016 Actual	2016 Variance*		
EXPENSES					
Employee benefits and on-costs	**35,943**	**34,848**	**1,095**	**3%**	**F**
Borrowing costs	**3,674**	**3,179**	**495**	**13%**	**F**
Borrowing costs were less than budgeted which was mainly due to the timing of the draw down of budgeted loans.					
Materials and contracts	**31,383**	**25,348**	**6,035**	**19%**	**F**
The budgeted Davey Road Interchange Southern Ramps Project expenditure of $5 million for the 2015/16 financial year did not occur as AlburyCity was unsuccessful in obtaining funding from the State Government.					
Depreciation and amortisation	**26,524**	**26,486**	**38**	**0%**	**F**
Other expenses	**11,136**	**11,005**	**131**	**1%**	**F**
Net losses from disposal of assets	**–**	**1,035**	**(1,035)**	**100%**	**U**
A net loss was recognised due to the write-off of the remaining book value of infrastructure assets as a result of renewal works.					
Joint ventures and associates – net losses	**–**	**5**	**(5)**	**100%**	**U**
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	**41,679**	**49,009**	**7,330**	**17.6%**	**F**
The increase compared to budget in cash inflows from operating activities largely refelcts the operating result excluding non-cash capital contributions recognised during the financial year.					
Cash flows from investing activities	**(37,186)**	**(56,190)**	**(19,004)**	**51.1%**	**U**
The increase in cash outflows compared to budget was due tue to the reclassification of term deposits as investments rather than cash and cash equivalents.					
Cash flows from financing activities	**4,204**	**4,540**	**336**	**8.0%**	**F**

Note 17. Statement of developer contributions

$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	108	37	–	3	(29)	–	**119**	–
Roads	26	333	–	–	(356)	–	**3**	–
Sports Fields	4	3	–	1	–	–	**8**	–
Parking	371	–	–	11	–	–	**382**	–
Open Space	2	101	–	–	(99)	–	**4**	–
Community Facilities	–	154	–	–	(154)	–	**–**	–
Footpaths	4	4	–	–	(7)	–	**1**	–
Land	3	3	–	–	–	–	**6**	–
Buildings	4	3	–	–	–	–	**7**	–
Landscaping	1	–	–	–	–	–	**1**	–
S94 contributions – under a plan	**523**	**638**	**–**	**15**	**(645)**	**–**	**531**	**–**
S94A levies – under a plan	**–**	**322**	**–**	**–**	**(322)**	**–**	**–**	**–**
Total S94 revenue under plans	**523**	**960**	**–**	**15**	**(967)**	**–**	**531**	**–**
S64 contributions	214	2,158		–	(2,372)	–	**–**	
Total contributions	**737**	**3,118**	**–**	**15**	**(3,339)**	**–**	**531**	**–**

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Contribution Plan - ALBURY 2005

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	97	29	–	3	(10)	–	**119**	–
Roads	–	313	–	–	(313)	–	**–**	–
Parking	371	–	–	11	–	–	**382**	–
Open space	–	99	–	–	(99)	–	**–**	–
Community facilities	–	154	–	–	(154)	–	**–**	–
Total	**468**	**595**	**–**	**14**	**(576)**	**–**	**501**	**–**

Contribution Plan - ALBURY 2014

PURPOSE	Opening balance	Contributions received during the year Cash	Contributions received during the year Non-cash	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
Drainage	11	8	–	–	(19)	–	**–**	–
Roads	26	20	–	–	(43)	–	**3**	–
Footpaths	4	4	–	–	(7)	–	**1**	–
Open space	2	2	–	–	–	–	**4**	–
Sports Fields	4	3	–	1	–	–	**8**	–
Landscaping	1	–	–	–	–	–	**1**	–
Land	3	3	–	–	–	–	**6**	–
Buildings	4	3	–	–	–	–	**7**	–
Total	**55**	**43**	**–**	**1**	**(69)**	**–**	**30**	**–**

Note 18. Contingencies and other assets/liabilities not recognised

$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council 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 the purposes of AASB 119 Employee Benefits.

Each member 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.

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

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member employers, no liability for the deficiency has been recognised in Council's financial statements.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 24th February 2016.

The share of the Scheme deficit at 30 June 2016 that can broadly attributed to Council is 1.12% which is estimated to be in the order of $840,588.

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

Investment Return	6.5% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

*plus promotional increases

Pooled employers are required to pay standard employer contributions which are determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

Pooled employers are also required to pay additional lump sum contributions to the Scheme. Council's additional lump sum contributions to the Scheme. Council's additional lump sum contributions included in Council's total employer contribution for the year ended 30 June 2016 is $483,687.

Council's additional contributions of $483,687 per annum represents approximately 0.99% of the total additional lump sum contributions for all pooled employers of $48.7 million, apportioned according to each employer's share of the accrued liabilities as at 30 June 2015.

The amount of Council's employer contributions to the Scheme accounted for as an expense for the year ended 30 June 2016 was $1,069,082. Council's expected standard and additional contributions to the plan for the next annual reporting period is $991,981.

There is no relief under the Scheme'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 an employer.

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

$ '000

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

Additional contributions of $448,000 per annum are estimated to remain in place until 30 June 2020. However, the Trustee will be reviewing the financial position of the fund on an annual basis.

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

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

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

(iv) Landfill Aftercare

In addition to cell rehabilitation costs, the landfill site may require additional after-care costs after the closure of the landfill site. After-care is defined as ongoing monitoring and rectification works associated with any identified site disturbance, problems or risks.

A liability for these contingent costs has not been recognised in the financial statements, the ultimate cost of after-care is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the nature of site disturbance and future developments and the emergence of new remediation techniques.

Furthermore, the after-care costs may continue for many years after the closure of the site, the timing of costs subject to a number of factors including the estimated life expectancy of the site.

Best estimates suggest that the Albury Landfill site has a residual life of approximately 50 years based on current waste volumes.

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.

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

$ '000

(ii) S94 plans

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

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

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

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

(iii) Potential land acquisitions due to planning

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Museum Artifacts

Museum artifacts have not been taken into assets as yet because they have not been valued, as they are retained for cultural value rather than their intrinsic value.

(iii) Liquidation of Lehman Brothers Australia Ltd

To date, AlburyCity has received a total of $838,983 from the liquidators of Lehman Brothers Australia Limited, for previously written off CDO investments of $1,548,123.

It is understood that AlburyCity may receive further payments from the liquidation of Lehman Brothers Australia Limited however the total amount and timing of payments is not yet known.

Note 19. Interests in other entities

$ '000

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	(5)	(16)	488	822
Total	**(5)**	**(16)**	**488**	**822**

(a) Joint ventures and associates

Council has incorporated the following joint venture into its consolidated financial statements which is not considered individually material.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Thurgoona Industrial Estate	Joint Venture	Net Realisable	488	822
Total carrying amounts – material joint ventures and associates			**488**	**822**

	Thurgoona Industrial Estate		Hume Gardens Residential Estate	
	2016	2015	2016	2015
Dividends received by Council	**128**	**–**	**–**	**60**

(b) Associates not recognised

The following associate has not been recognised in this financial report as it is not individually material.

Name of entity/operation	Principal activity/type of entity	2016 Net profit	2016 Net assets
Wonga Wetlands Conservation Association	Environmental Wetlands Conservation	(1)	4

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

$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		681,908	655,461
d. Net operating result for the year		30,280	26,447
Balance at end of the reporting period		712,188	681,908
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		507,335	479,434
– Other reserves (Intangible Assets)		640	565
Total		**507,975**	**479,999**
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		479,434	423,864
– Revaluations for the year	9(a)	27,901	55,570
– Balance at end of year		**507,335**	**479,434**
Intangible assets revaluation reserve			
– Opening balance		565	835
– Increases/(decreases) for the year		75	(270)
– Balance at end of year		**640**	**565**
TOTAL VALUE OF RESERVES		**507,975**	**479,999**

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Other reserves

– The Intangible Assets Revaluation Reserve is used to record increments/decrements in the value of Water Licences due to their revaluation.

Note 21. Financial result and financial position by fund

Income Statement by fund $ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	**Water**	**Sewer**	**General**[1]
Income from continuing operations			
Rates and annual charges	3,316	16,276	42,773
User charges and fees	12,216	3,373	21,603
Interest and investment revenue	827	926	1,751
Other revenues	126	114	4,331
Grants and contributions provided for operating purposes	164	162	8,793
Grants and contributions provided for capital purposes	1,431	2,740	11,264
Other income			
Net gains from disposal of assets	–	–	203
Total income from continuing operations	**18,080**	**23,591**	**90,718**
Expenses from continuing operations			
Employee benefits and on-costs	1,467	2,020	31,361
Borrowing costs	–	805	2,374
Materials and contracts	1,130	2,750	21,468
Depreciation and amortisation	5,808	4,004	16,674
Other expenses	2,959	4,014	4,032
Net losses from the disposal of assets	366	872	–
Share of interests in joint ventures and associates using the equity method	–	–	5
Total expenses from continuing operations	**11,730**	**14,465**	**75,914**
Operating result from continuing operations	6,350	9,126	14,804
Net operating result for the year	6,350	9,126	14,804
Net operating result for the year before grants and contributions provided for capital purposes	4,919	6,386	3,540

[1] General fund refers to all Council's activities other than Water and Sewer.
NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund $ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	**Water**	**Sewer**	**General**[1]
Current assets			
Cash and cash equivalents	–	–	3,676
Investments	24,310	27,483	36,039
Receivables	6,645	7,273	10,025
Inventories	257	18	4,226
Other	–	–	411
Total current assets	31,212	34,774	54,377
Non-current assets			
Infrastructure, property, plant and equipment	212,641	191,191	770,622
Investments accounted for using the equity method	–	–	488
Intangible assets	1,496	–	154
Total non-current assets	214,137	191,191	771,264
TOTAL ASSETS	**245,349**	**225,965**	**825,641**
LIABILITIES			
Current liabilities			
Payables	173	128	10,085
Borrowings	–	1,552	2,424
Provisions	488	427	8,769
Total current liabilities	661	2,107	21,278
Non-current liabilities			
Borrowings	–	8,828	40,235
Provisions	27	15	3,641
Total non-current liabilities	27	8,843	43,876
TOTAL LIABILITIES	**688**	**10,950**	**65,154**
Net assets	**244,661**	**215,015**	**760,487**
EQUITY			
Retained earnings	166,200	147,638	398,350
Revaluation reserves	78,461	67,377	362,137
Council equity interest	**244,661**	**215,015**	**760,487**
Total equity	**244,661**	**215,015**	**760,487**

[1] General Fund refers to all Council's activities other than Water and Sewer.
NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

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

$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

$ '000

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

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

Accordingly, the 'authorised for issue' date is 24/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

$ '000

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

Note 25. Intangible assets

$ '000	Actual 2016	Actual 2015

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

Intangible assets are as follows:

Opening values:		
Gross book value (1/7)	1,575	1,845
Net book value – opening balance	**1,575**	**1,845**
Movements for the year		
– Other capitalised costs (Market Adjustment)	75	–
– Impairment charges	–	(270)
Closing values:		
Gross book value (30/6)	1,650	1,575
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1	1,650	1,575

1. **The net book value of intangible assets represent:**

– Water licence (Water fund)	1,496	1,428
– Water licence (General fund)	154	147
	1,650	**1,575**

Note 26. Rehabilitation liabilities

$ '000

Council has an obligation to restore the present Albury Landfill site at the end of its useful life.

Asset/operation	Estimated year of restoration		NPV of provision 2016	NPV of provision 2015
Albury Landfill Cells	2020 to 2065		3,126	2,580
Balance at end of the reporting period		10(a)	3,126	2,580

Reconciliation of movement in provision for year:

Balance at beginning of year	2,580	3,091
Amounts capitalised to new or existing assets:		
- New Disturbance	264	1,109
- Revised cost	84	(2,356)
- Revised discount rate	148	609
Amortisation of discount (expensed to borrowing costs)	50	127
Total – rehabilitation provision	**3,126**	**2,580**

Note 27. Fair value measurement

$ '000

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

– Infrastructure, property, plant and equipment
– 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:

		Fair value measurement hierarchy			
2016		**Level 1**	**Level 2**	**Level 3**	**Total**
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Plant & Equipment	Various	–	–	8,698	8,698
Office Equipment, Furniture & Fittings	Various	–	–	2,515	2,515
Land - Operational	30/06/16	–	–	35,832	35,832
Land - Community	30/06/16	–	–	37,352	37,352
Land - Under Roads	30/06/16	–	–	272	272
Land Improvements - Non Depreciable	30/06/16	–	–	1,795	1,795
Land Improvements - Depreciable	30/06/16	–	–	27,093	27,093
Buildings	30/06/16	–	–	100,830	100,830
Other Structures	30/06/16	–	–	4,918	4,918
Infrastructure - Roads, Bridges & Footpaths	30/06/16	–	–	379,826	379,826
Infrastructure - Stormwater Drainage	30/06/16	–	–	163,764	163,764
Infrastructure - Water Supply Network	30/06/16	–	–	207,937	207,937
Infrastructure - Sewerage Network	30/06/16	–	–	184,270	184,270
Landfill rehabilitation and cell assets	30/06/16	–	–	443	443
Library Books	Various	–	–	1,282	1,282
Other	Various	–	–	7,538	7,538
Total infrastructure, property, plant and equipment		**–**	**–**	**1,164,365**	**1,164,365**
Intangible Assets					
Water Licence	30/06/16	1,650	–	–	1,650
Total discontinued operations		**1,650**	**–**	**–**	**1,650**

Note 27. Fair value measurement (continued)

$ '000

2015		Fair value measurement hierarchy			Total
		Level 1	Level 2	Level 3	
Recurring fair value measurements	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Infrastructure, property, plant and equipment					
Plant & Equipment	Various	–	–	8,126	8,126
Office Equipment, Furniture & Fittings	Various	–	–	2,697	2,697
Land - Operational	30/06/15	–	–	35,519	35,519
Land - Community	30/06/15	–	–	36,718	36,718
Land - Under Roads	30/06/15	–	–	198	198
Land Improvements - Non Depreciable	30/06/15	–	–	1,794	1,794
Land Improvements - Depreciable	30/06/15	–	–	27,491	27,491
Buildings	30/06/15	–	–	100,888	100,888
Other Structures	30/06/15	–	–	4,880	4,880
Infrastructure - Roads, Bridges & Footpaths	30/06/15	–	–	355,582	355,582
Infrastructure - Stormwater Drainage	30/06/15	–	–	155,306	155,306
Infrastructure - Water Supply Network	30/06/15	–	–	204,817	204,817
Infrastructure - Sewerage Network	30/06/15	–	–	172,953	172,953
Landfill rehabilitation and cell assets	30/06/15	–	–	–	–
Library Books	Various	–	–	1,295	1,295
Other	Various	–	–	6,853	6,853
Total infrastructure, property, plant and equipment		**–**	**–**	**1,115,117**	**1,115,117**
Intangible Assets					
Water Licence	30/06/15	1,575	–	–	1,575
Total discontinued operations		**1,575**	**–**	**–**	**1,575**

Note 27. Fair value measurement (continued)

$ '000

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

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

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

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

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

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

Plant & Equipment, Office Equipment and Furniture & Fittings
Plant & Equipment, Office Equipment and Furniture & Fittings are valued at depreciated historical cost.

The carrying amount of these assets approximates fair value due to the nature of the items. Council values Plant & Equipment, Office Equipment and Furniture & Fittings using unobservable Level 3 inputs including gross historical cost, estimated useful life of the asset and residual value.

Examples of assets within these classes are as follows:
- Plant & Equipment
  Trucks, tractors, ride-on mowers, street sweepers, earthmoving equipment, buses and motor vehicles.
- Office Equipment
  Photocopiers and computer equipment.
- Furniture & Fittings
  Chairs, desks and display systems.

Land - Operational
This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993.

AlburyCity contracted AssetVal Pty Ltd to provide an indexed valuation for Council land as at 30 June 2016.

Where direct comparable sales evidence is used to value a parcel of land it is classed as a Level 2 input.

Where direct sales are adjusted to reflect differences between the market evidence and the asset being valued, the adjustment constitutes a Level 3 input. Typically this might be where the Valuer is reflecting zoning differences, lot size and land use.

The majority of land assets are assessed on the basis of Level 3 inputs due to the adjustment of market evidence by the Valuer to refelct fair value.

Land - Community
Under the NSW Local Government Act 1993 land classified as Community Land cannot be sold or used for a purpose other than that described by the plan of land management that it is held under.

AlburyCity contracted AssetVal Pty Ltd to value Council land as at 30 June 2015.

The valuation of Community Land has been assessed by using Level 3 inputs due to the landholdings being held for civic and public uses which are property types that are rarely traded on the open market.

As direct sales have been adjusted to reflect differences between the market evidence and the asset being valued, the adjustment constitutes a Level 3 input. Typically this might be where the Valuer is reflecting zoning differences, lot size and land use.

Note 27. Fair value measurement (continued)

$ '000

Land - Under Roads
As the use and sale of Land Under Roads is restricted it has been valued at a discount to the market price using the Englobo valuation method.

Land under roads has been valued using Level 3 inputs including the unit rate per square metre.

Land Improvements - Non Depreciable
This asset class comprises land improvements such as bulk earthworks, which are often in parks forming natural amphitheatres and have an undeterminable life.

Land Improvements are valued using historical cost. Land Improvements - Non Depreciable have been valued using unobservable Level 3 inputs including gross historical cost.

Land Improvements - Depreciable
This asset class comprises land improvements such as landscaping, dams and other costs associated with land that will need to be removed or replaced in future periods.

Land Improvements are valued using depreciated historical cost. Council values Land Improvements - Depreciable using unobservable Level 3 inputs including gross historical cost and estimated useful life of the asset.

Buildings
Buildings were valued at 30 June 2015 by AssetVal Pty Ltd by having regard to the existence of a market, the level of specialisation of the asset and the availability of sales evidence. The valuation has been indexed to 2016 by AssetVal Pty Ltd. On 1 July Council reassessed and standardised the componentisation methodology of its major buildings and their useful lives.

Where direct comparable sales evidence is available the building is valued using observable Level 2 inputs.

Where buildings are of a type or use that is not normally traded, the Depreciated Replacement Cost valuation method is applied using unobservable Level 3 inputs such as gross replacement cost, asset condition, estimated useful life of the asset and residual value.

Council values the majority of its Buildings by using unobservable Level 3 inputs.

Other Structures
Other Structures include playground equipment, shade structures and bus shelters. This asset class comprises all other structures not included in the category of Buildings that are controlled by the Council.

This class of assets was valued by AssetVal Pty Ltd as at 30 June 2016 by applying the Depreciated Replacement Cost method.

Unobservable Level 3 inputs included gross replacement cost, asset condition and estimated useful life of the asset.

Roads
This asset class comprises road asset components of pavement, seal, footpath and kerb and gutter.

This class of assets is valued by Council using the Depreciated Replacement Cost method.

Valuation unit rates of road asset components have been derived from historical costs and contract pricing. Unit prices were reviewed in 2014. The 2014 valuation has been indexed to 2016 using Rawlinson's Building Price Index. Asset dimensions have been derived from Council's detailed asset management system populated from a road condition survey completed in 2013 by Moloney Asset Management Systems.

Council values Roads using Level 3 inputs including gross replacement cost, asset condition and estimated useful life.

Drainage Infrastructure
This asset class comprises structures, pipes, flood pumps, levees and open channels.

This class of assets is valued by Council using the Depreciated Replacement Cost method.

Valuation unit rates have been estimated utilising engineering expertise for various components of drainage infrastructure. Unit prices were reviewed in 2014. The 2014 valuation has been indexed to 2016 using using Rawlinson's Building Price Index. Asset dimensions have been derived from a combination of field survey and design plans.

Council values Drainage Infrastructure using Level 3 inputs including gross replacement cost, asset condition and estimated useful life of the asset.

Note 27. Fair value measurement (continued)

$ '000

Sewerage Infrastructure
This asset class comprises structures, pipes, pump stations and treatment works.

This class of assets is valued by Council using the Depreciated Replacement Cost method.

Valuation unit rates of Sewerage asset components have been derived from historical actual costs and contract pricing. Values are indexed using Rawlinson's Building Price Index. Asset dimensions have been derived from a combination of field survey and design plans.

Council values Sewerage Infrastructure using Level 3 inputs including gross replacement cost, asset condition and estimated useful life of the asset.

Water Infrastructure
This asset class comprises meters, pipe network, supply reservoirs, pump stations and filtration plant.

This class of assets is valued by Council using the Depreciated Replacement Cost method.

Valuation unit rates of Water asset components have been derived from historical actual costs and contract pricing. Values are indexed using Rawlinson's Building Price Index. Asset dimensions have been derived from a combination of field survey and design plans.

Council values Water Infrastructure using Level 3 inputs including gross replacement cost, asset condition and estimated useful life of the asset.

Landfill Rehabilitation
The landfill remediation asset is accounted for using the cost model. The cost of this asset represents the initial estimate to rehabilitate the Albury landfill cells, adjusted to reflect changes to the landfill rehabilitation provision. The cost of the landfill remediation asset has been fully depreciated.

Library Books
Library Books are valued using Depreciated Historical Cost. The carrying amount of these assets approximates fair value due to the nature of the items.

Council values Library Books using Level 3 inputs including gross historical cost and estimated useful life of the asset.

Other
Other assets include specialised sporting and leisure/cultural equipment and community initiatives. The carrying value of these assets is at Depreciated Replacement Cost which approximates fair value.

Council values Other Assets using Level 3 inputs including gross replacement cost, asset condition and estimated useful life of the asset.

Note 27. Fair value measurement (continued)

$ '000

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

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

	Plant & Equipment	Office Equip Furniture & Fittings	Land - Operational	Land - Community	Total
Opening balance – 1/7/14	6,433	3,251	36,470	31,205	77,359
Transfers from/(to) another asset class	(19)	–	(533)	–	(552)
Purchases (GBV)	2,839	144	97	–	3,080
Disposals (WDV)	(341)	–	–	–	(341)
Depreciation and impairment	(786)	(698)	–	–	(1,484)
Revaluation	–	–	(515)	5,513	4,998
Closing balance – 30/6/15	**8,126**	**2,697**	**35,519**	**36,718**	**83,060**
Transfers from/(to) another asset class	(109)	(15)	(34)	–	(158)
Purchases (GBV)	1,715	354	717	977	3,763
Disposals (WDV)	(253)	–	–	–	(253)
Depreciation and impairment	(846)	(521)	–	–	(1,367)
Revaluation	–	–	(354)	(359)	(713)
Function Changes	65	–	(16)	16	65
Closing balance – 30/6/16	**8,698**	**2,515**	**35,832**	**37,352**	**84,397**

	Land - Under Roads	Land - Improvements Non Depreciable	Land - Improvements Depreciable	Buildings	Total
Opening balance – 1/7/14	147	1,625	26,179	87,395	115,346
Transfers from/(to) another asset class	–	–	(600)	919	319
Purchases (GBV)	51	169	2,940	1,217	4,377
Disposals (WDV)	–	–	–	(164)	(164)
Depreciation and impairment	–	–	(1,028)	(4,258)	(5,286)
Revaluation	–	–	–	15,779	15,779
Closing balance – 30/6/15	**198**	**1,794**	**27,491**	**100,888**	**130,371**
Transfers from/(to) another asset class	–	1	6	–	7
Purchases (GBV)	74	–	2,103	14,338	16,515
Disposals (WDV)	–	–	–	(336)	(336)
Depreciation and impairment	–	–	(1,106)	(3,826)	(4,932)
Revaluation	–	–	(136)	(10,277)	(10,413)
Function Changes	–	–	(1,265)	43	(1,222)
Closing balance – 30/6/16	**272**	**1,795**	**27,093**	**100,830**	**129,990**

Note 27. Fair value measurement (continued)

$ '000

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

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

	Other Structures	Roads	Drainage	Water	Total
Opening balance – 1/7/14	4,562	338,348	148,540	204,625	696,075
Transfers from/(to) another asset class	(25)	258	–	–	233
Purchases (GBV)	383	11,797	1,531	2,271	15,982
Disposals (WDV)	(36)	(1,222)	(80)	(1,377)	(2,715)
Depreciation and impairment	(386)	(7,558)	(1,660)	(5,739)	(15,343)
Revaluation	382	13,959	6,975	5,037	26,353
Closing balance – 30/6/15	**4,880**	**355,582**	**155,306**	**204,817**	**720,585**
Transfers from/(to) another asset class	–	–	–	(1)	(1)
Purchases (GBV)	352	16,554	2,650	2,727	22,283
Disposals (WDV)	–	(600)	(41)	(366)	(1,007)
Depreciation and impairment	(328)	(8,137)	(1,746)	(5,785)	(15,996)
Revaluation	57	15,239	7,595	6,545	29,436
Function Changes	(43)	1,188	–	–	1,145
Closing balance – 30/6/16	**4,918**	**379,826**	**163,764**	**207,937**	**756,445**

	Sewer	Landfill Rehabilitation	Library Books	Other	Total
Opening balance – 1/7/14	166,888	190	1,294	6,813	175,185
Purchases (GBV)	1,859	–	176	90	2,125
Disposals (WDV)	(448)	–	–	(25)	(473)
Depreciation and impairment	(3,786)	(13)	(175)	(25)	(3,999)
Adjustment ot Landfill Provision	–	(177)	–	–	(177)
Revaluation	8,440	–	–	–	8,440
Closing balance – 30/6/15	**172,953**	**–**	**1,295**	**6,853**	**181,101**
Transfers from/(to) another asset class	(1)	–	1	(5)	(5)
Purchases (GBV)	5,707	496	179	701	7,083
Disposals (WDV)	(58)	–	–	–	(58)
Depreciation and impairment	(3,922)	(53)	(193)	(23)	(4,191)
Revaluation	9,591	–	–	–	9,591
Function Changes	–	–	–	12	12
Closing balance – 30/6/16	**184,270**	**443**	**1,282**	**7,538**	**193,533**

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

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

Council has no movements in and out of Level 3.

(5). Highest and best use

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

Note 28. Council information and contact details

Principal place of business:
553 Kiewa Street
ALBURY NSW 2640

Contact details

Mailing address:
PO Box 323
ALBURY NSW 2640

Opening hours:
Mon - Fri 8.30am to 5.00pm

Telephone: 02 6023 8111
Facsimile: 02 6023 8190

Internet: www.alburycity.nsw.gov.au
Email: info@alburycity.nsw.gov.au

Officers

GENERAL MANAGER
Frank Zaknich

RESPONSIBLE ACCOUNTING OFFICER
Justin Finlayson

PUBLIC OFFICER
Murray Watson

AUDITORS
Crowe Horwath Albury
491 Smollet Street
ALBURY NSW 2640

Elected members

MAYOR
Kevin Mack

COUNCILLORS
Kevin Mack
Alice Glachan
Amanda Cohn
Henk van de Ven
John Stuchbery
Darren Cameron
David Thurley
Murray King
Graham Docksey

Other information

ABN: 90 965 474 349

Crowe Horwath
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INDEPENDENT AUDIT REPORT TO ALBURY CITY COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

SCOPE

We have audited the accompanying financial statements of Albury City Council ('the Council'), which comprises the statement of financial position as at 30 June 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2) (a) and (c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and Management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

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

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

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We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, statement of cash flows, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules and accordingly, we express no opinion on them.

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

The audit opinion expressed in this report has been formed on the above basis.

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

AUDITOR'S OPINION

In our opinion:

a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;

b) the Council's financial statements:

- have been properly prepared in accordance with the requirements of this Division;
- are consistent with the Council's accounting records;
- present fairly the Council's financial position and result of its operations; and
- are in accordance with applicable Accounting Standards.

c) all information relevant to the conduct of the audit has been obtained; and

d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

CROWE HORWATH ALBURY

BRADLEY D BOHUN
Partner

Dated at Albury this 24th day of October 2016.

Crowe Horwath

Report on the Conduct of the Audit

Albury City Council

Year Ended 30 June 2016

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1 Report on the Conduct of Audit

We have completed our audit of the financial statements for Albury City Council (Council) for the year ended 30 June 2016, in accordance with Section 415 of the Local Government Act, 1993. Our audit opinion under Section 417(2) has been issued to Council and this report on the conduct of the audit should be read in conjunction with the audit opinion.

The Council is responsible for the preparation and presentation of the financial statements and the information they contain. The financial statements consist of the general purpose financial statements and Council's statement in the approved form required by Section 413 (2) and (3) respectively of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosure in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether in all material respects, the financial statements are presented fairly in accordance with Australian Accounting Standards and statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

Our engagement is summarised as:

Nature of Engagement	Opinion	Basis of Preparation
General purpose financial statements	Unqualified	Going concern basis - Not for Profit entity
Special purpose financial statements	Unqualified emphasis of matter regarding basis of preparation	National Competition Policy requirements by area of business activity
Special Schedule 8	Emphasis of matter regarding basis of preparation	OLG requirements.
Thurgoona Industrial Estate Joint Venture – Stage 3	Unqualified	Going concern basis – Special purpose to meet reporting needs of the Joint Venture to Joint Venture Partners.

Following from our audit there are a number of comments we wish to raise concerning Council's financial statements. These comments are set out in this report below.

2 Operating Result

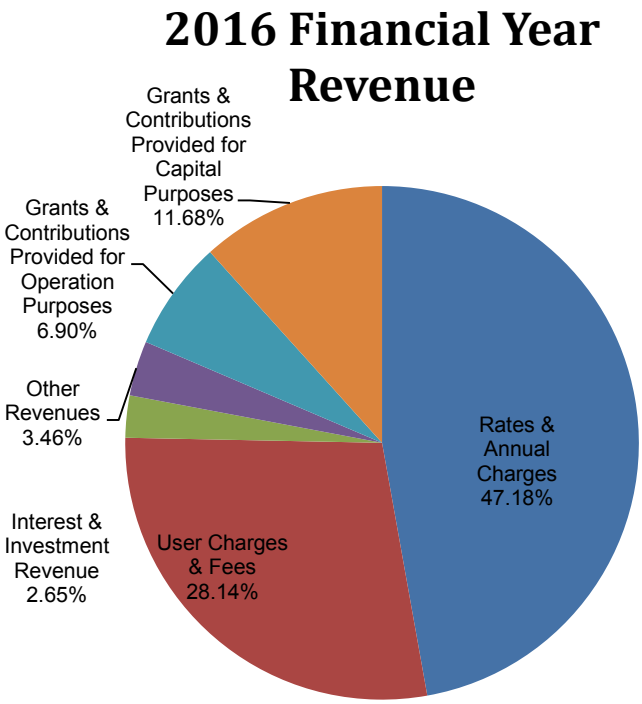
AlburyCity Council (the 'Council' or 'AlburyCity') is a regional city council in Southern New South Wales, whose affairs are governed by:

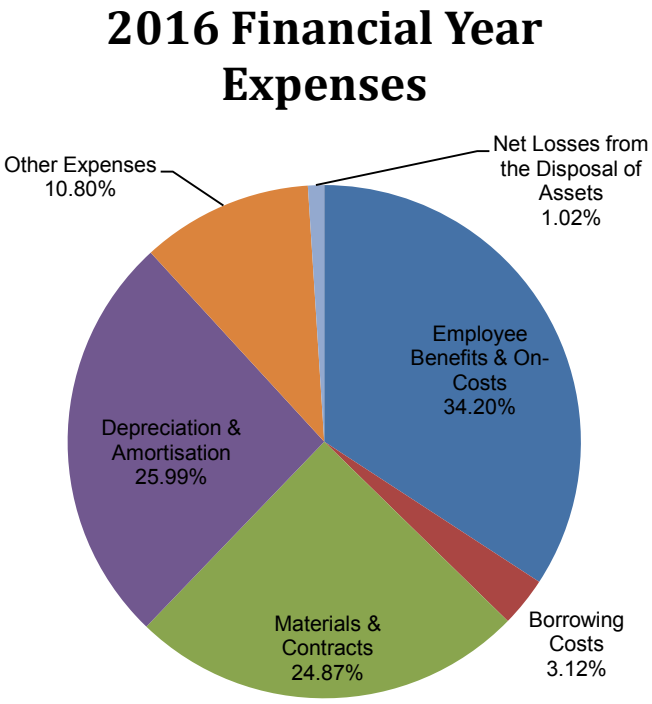
- Local Government Act 1993;
- Local Government Regulations;
- Local Government Code of Accounting Practice and Financial Reporting; and
- Local Government Asset Accounting Manual Regulations.

The Council is responsible for the administration and implementation of the strategic policies voted on in Council.

As disclosed in the Income Statement, the Council achieved a net operating result surplus from continuing operations (including capital contributions) of $30,280 (2015: $26,447k surplus) for the year ended 30 June 2016.

A breakdown of Council's revenues and expenses for the year are as follows:





Significant income and expense items in the current year were:

	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Rates and annual charges	62,365	56,819	53,508	48,963
User charges and fees	37,192	37,099	37,078	36,388
Grants and contributions - operating	9,119	9,785	6,115	9,207
Grants and contributions - capital	15,435	12,596	19,248	9,850
Employee costs	(34,848)	(34,069)	(33,231)	(32,173)
Materials and contracts	(25,348)	(24,288)	(22,846)	(22,664)
Depreciation and amortisation	(26,486)	(26,112)	(25,354)	(25,615)

The above income and expense items all have the potential to have a significant impact on Council's operating result. Rates and annual charges increased by $5,546k from $56,819 in 2016 as a result of the rate pegging adjustment of 2.4% and an average increase in water, sewer and domestic waste charges of 8.9%. Capital grants and contributions received by Council also continues to have a major influence on the reported result. Operating grants remained similar to prior years and capital grants and contributions increased in 2016 by $2,839k, largely a result of in-kind developer contributions, which fluctuate year on year dependant on development projects completed.

Other revenue in 2016 was $4,571k (2015: $8,938k), the main contributors were:

- Workers Compensation adjustment amount of $357k received in current year
- Reversal of carbon tax provision of $4,937k was a one off item in the prior year
- Landfill provision adjustment of $460k in prior year

Expenses remain comparable to prior year.

The above significant items are based on the operational results from Council as disclosed in the income statement and accompanying notes.

3 Financial Position

A measure of the Council's financial position is its unrestricted working capital. The following table sets out the unrestricted working capital position of Council as at the end of the financial year

		2016 $'000	2015 $'000	2014 $'000
Cash and Liquid Investments		91,508	68,886	56,343
External Restrictions	- included in liabilities	-	-	-
	- not included in liabilities	(54,412)*	(39,980)	(25,677)
Internal Restrictions	- included in liabilities	(16,790)	(14,797)	(10,978)
	- not included in liabilities**	(499)	(516)	(849)
Unrestricted Cash and Investments		**19,807**	**13,593**	**18,839**
Other Net Current Assets / (Liabilities) excluding anticipated LSL Provision & restrictions included in liabilities		(287)	(1,805)	(1,955)
Unrestricted Working Capital		**19,520**	**11,788**	**16,884**

*$14,475k of the increase from 2015 relates to Water Supplies and Sewerage Services restrictions.

**Council has used internal restrictions extensively and these are a discretionary item specific to each individual Council. It should be noted that the level of internal restrictions can be adjusted via Council vote and for AlburyCity several future development projects have already been costed via the use of internal restrictions.

The above represents the amount of working capital Council has available to meet its future spending requirements after making allowance for any restrictions in place over the use of such working capital.

The above result continues to indicate a strong capacity to pay debts as and when they fall due after consideration of both internal and external restrictions of Council.

We recommend that Council continue to monitor its unrestricted working capital position when reviewing its financial position. It is also recommended that Council continue to be mindful of its unrestricted working capital position when considering its future spending requirements.

4 Performance Indicators

Refer to Note 13 of the financial statements. Sections 4.1 to 4.6 contemplate Councils performance on a consolidated basis. Section 4.7 shows Councils performance against the same ratios on a fund basis.

4.1 Operating Performance Revenue

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

Council's Operating Performance Ratio increased to 12.98% (2015: 14.48%) mainly as a result of the operating surplus in all three funds that is to be invested in the renewal and upgrade of infrastructure.

4.2 Own Source Operating Revenue Ratio

This ratio measures fiscal flexibility and shows the degree of reliance on external funding sources such as operating grants and contributions. A Council has improved financial flexibility with a higher level of own source revenue.

With a ratio of 81.31% (2015: 82.46%), Council's ability to generate its own sources of funding from rates and user charges is in excess of NSW Treasury Corporations benchmark of 60%.

4.3 Liquidity (Unrestricted Current) Ratio

The liquidity ratio is used to assess the adequacy of working capital and Council's ability to satisfy its obligations in the short term. Unrestricted current ratio is calculated by current assets less all external restrictions divided by current liabilities less specific purpose liabilities.

The liquidity ratio at Note 13 shows Council's liquidity position well exceeds the generally accepted minimum benchmark. The ratio indicates that Council has the capacity to pay its debts as and when they fall due.

4.4 Debt Service Cover Ratio

This ratio demonstrates the percentage of Council revenue required to service the debts carried by Council.

This ratio indicates 6.29% (2015: 7.20%) of Council's revenue is consumed servicing debt confirming that Council continues to demonstrate that sufficient cash is being generated from operations to fund loan repayments when compared to the minimum benchmark.

4.5 Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

The rates, annual charges, interest and extra charges outstanding percentage is used to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of Council's debt recovery efforts.

The percentage of rates and annual charges outstanding at year end is 10.80% (2015: 11.07%). Council should continue to monitor its debt recovery procedures.

4.6 Cash Expense Cover Ratio

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

As indicated with the ratio of 13.43 months (2015: 9.54 months), Council's ability to continue paying for its immediate expenses without additional cash inflow is sufficient and exceeds the NSW Treasury Corporations benchmark of 3.00.

4.7 Performance Indicators by Fund

The following performance indicators are shown on a fund basis as at 30 June 2016. The below allows analysis of how Council performs at a final level and would indicate the result of Council's general operations excluding its water and sewer operations.

Indicators	Water	Sewer	General
Operating performance ratio	29.18%	30.00%	5.01%
Own source operating revenue	91.18%	87.70%	77.63%
Unrestricted current ratio	47.22x	16.50x	3.29x
Debt service cover ratio	0.00x	13.68x	3.98x
Rates, Annual Charges, Interest and extra charges outstanding %	38.06%	32.87%	1.85%
Cash expense cover ratio	41.73 mths	31.16 mths	7.43 mths

5 Specific Balance Sheet Items

5.1 Receivables

Total current receivables at 30 June 2016, net of allowance for impairment were $23,943k (2015: $19,276k).

This balance primarily consists of rates and annual charges of $7,539k (2015: $7,027k), user charges and fees of $9,511k (2015: $9,468k), government grants & subsides of $346k (2015: $760k), accrued revenues of $830k (2015: $1,716k) and other debtors of $647k (2015: $427k).

The percentage of rates and annual charges outstanding is referred to at Section 4.5 of this report.

Total receivables at 30 June 2016 were $5,220k (2015: $5,220k) net of impairment allowance. This is represented by the Multi Deck Carpark receivable. The receivable has moved from non-current to current as AlburyCity have been in discussions and it is believed that the carpark will be complete within the next 12 months.

The allowance for impairment at 30 June 2016 was $150k (2015: $122k). The allowance is specifically matched against individual user charges and fees outstanding. An assessment of the collectability of the receivables balance indicated that the allowance for impairment was deemed sufficient.

5.3 Accounting for Carbon Emissions Trading Scheme

AlburyCity became a 'liable entity' under the *Carbon Pricing Mechanism* ('CPM') effective 1 July 2012 under legislation enacted by federal parliament in the *Clean Energy Act* 2011, related Acts and subordinate legislation and Regulations. The Council issued a Carbon Liability Financial Management Policy in May 2012.

We note that during the 2012-13 financial year the Council increased its fees and charges at the Albury Waste Management Centre to effectively collect revenue on landfill deposit that will give rise to a carbon emission in the future. This fee is predicated on a user-pays principle, and is based on knowledge of the carbon emission profile of waste, and utilises the Commonwealth Department of Treasury forecast of the carbon price. The carbon fee was calculated based on the initial Net Present Value ("NPV") modeling of the cost that the Council would incur to discharge its liability in the future.

The *Clean Energy Act 2011* was repealed by the Commonwealth on 17 July 2014, which meant that Council was not subject to a carbon tax liability post 1 July 2014.

Council has continued to recognise an internal restriction of $2,725k (2015: $5,346k) in Note 6 (c) of the financial statements relating to the funds that were previously collected under the *Clean Energy Act 2011*. The movement in the internal restriction from the prior year is to reimburse ratepayers and other Councils who use the landfill site and construction of the Resource Recovery Centre.

5.4 Capital Expenditure

During the reporting period Council spent $42,034k (2015: $35,338k) on acquiring items of an infrastructure, property, plant or equipment nature. The primary areas of capital expenditure were as follows:

	2016 $'000	2015 $'000	2014 $'000
Plant and equipment	1,715	2,717	1,480
Land and improvements	3,043	2,335	3,829
Buildings	4,610	1,297	793
Roads, bridges and footpaths	14,096	9,927	8,037
Stormwater drainage	2,649	1,531	1,971
Water supply network	2,575	1,961	2,367
Sewerage network	2,888	1,607	3,018
Capital works in progress	8,835	13,588	5,793
Other	1,623	375	215
	42,034	**35,338**	**27,503**

5.5 Borrowings

Borrowings have increased by $4,540k from the prior year's balance of $48,499k due to discharging existing loan obligations and also the commencement of a new loan in 2016. These loans are secured over the general income of Council.

5.6 Fair Value of Infrastructure Assets

In 2011 the Council should have completed the progressive revaluation of all property, plant and equipment to fair value where all assets are revalued on a 5 year cycle. The Office of Local Government minimum requirements timetable is as follows:

2011: Community land, land improvements, other structures and other assets;
2012: Water and sewer networks;
2013: Operational land and buildings;
2014: Land under roads (if applicable); and
2015: Roads, bridges, footpaths, drainage and bulk earthworks.
2016: Land and land improvements, buildings and other structures, roads, bridges, footpaths, water supply network and sewerage network.

The revaluations in 2016 resulted in the following adjustments to Councils assets:

Asset Category	Revaluation Amount Increase/(Decrease) $
Land	(713k)
Land improvements	(136k)
Buildings	(10,277k)
Other structures	57k
Roads, bridges and footpaths	15,239k
Stormwater drainage	7,595k

Further, we report that in accordance with the requirements of the code of Accounting Practice, Council's water and sewage assets were indexed upward in accordance with the latest indices provided by the NSW Office of Water.

As at June 2016 all Council's infrastructure, property, plant and equipment is held at fair value with the exception of capital WIP which is held at cost.

During the 2015 financial year, accounting standard settlers clarified their stance on the definition of residual values as it applies to infrastructure assets. The standard settlers articulate that a residual value is the amount that would be obtained from the disposal of an asset as opposed to the reuse or recycling of material as was the previous approach adopted by Councils. This clarification has required that Councils view their road infrastructure assets from a componentisation perspective and reflect parts of the road asset with different useful lives. Council have performed supporting calculations to demonstrate that the depreciation outcome applicable would not be materially different under either approach. Council have confirmed that this is still the same in 2016 and that this would be revisited in the 2017 financial year.

5.7 New Standards and Interpretations Not Yet Adopted

Certain new accounting standards have been published that are not mandatory for the 30 June 2016 reporting period as follows:

- AASB 9 *Financial Instruments* and associated amending standards, effective 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers,* effective1 January 2018.
- AASB 16 Leases, effective 1 January 2019.

Council is of the view that these standards not yet effective will not significantly affect any of the amounts recognised in the financial statements, however they may impact certain information otherwise disclosed, or the format in which information is disclosed.

6 Other Matters

6.1 Management Letter

A separate report is issued to Council's management which covers in further detail the audit and accounting issues identified during our audit process.

6.2 Independence

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

6.3 Assistance Provided

We recognise and appreciate the Chief Financial Officer and staff of Council for their cooperation and courtesy extended to us during the course of the audit.

6.4 Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

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