Albury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Albury City Council

General Purpose Financial Statements
for the year ended 30 June 2017

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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 23 October 2017. Council has the power to amend and reissue these financial statements.

Albury City Council

General Purpose Financial Statements
for the year ended 30 June 2017

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 23 October 2017.

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 2017

Budget 2017 [1]	$ '000	Notes	Actual 2017	Actual 2016
	Income from continuing operations			
	Revenue:			
63,313	Rates and annual charges	3a	63,927	62,365
35,732	User charges and fees	3b	38,520	37,192
2,608	Interest and investment revenue	3c	3,271	3,504
4,587	Other revenues	3d	4,819	4,571
8,661	Grants and contributions provided for operating purposes	3e,f	12,389	9,119
5,375	Grants and contributions provided for capital purposes	3e,f	16,110	15,435
	Other income:			
113	Net gains from the disposal of assets	5	–	–
120,389	Total income from continuing operations		139,036	132,186
	Expenses from continuing operations			
36,922	Employee benefits and on-costs	4a	36,303	34,848
3,502	Borrowing costs	4b	3,223	3,179
25,128	Materials and contracts	4c	24,816	25,348
26,912	Depreciation and amortisation	4d	27,091	26,486
12,799	Other expenses	4e	10,839	11,005
–	Net losses from the disposal of assets	5	1,334	1,035
–	Net share of interests in joint ventures and associates using the equity method	19	17	5
105,263	Total expenses from continuing operations		103,623	101,906
15,126	Operating result from continuing operations		**35,413**	**30,280**
15,126	Net operating result for the year		35,413	30,280
15,126	**Net operating result attributable to Council**		35,413	30,280
9,751	**Net operating result for the year before grants and contributions provided for capital purposes**		19,303	14,845

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

Albury City Council

Statement of Comprehensive Income
for the year ended 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		**35,413**	**30,280**
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	65,351	27,901
Other comprehensive income – joint ventures and associates	19b	–	–
Gain (loss) on revaluation of other reserves	20b (ii)	–	75
Total items which will not be reclassified subsequently to the operating result		*65,351*	*27,976*
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Gain (loss) on revaluation of other reserves	20b (ii)	713	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		*713*	–
Total other comprehensive income for the year		**66,064**	**27,976**
Total comprehensive income for the year		101,477	58,256
Total comprehensive income attributable to Council		101,477	58,256

Albury City Council

Statement of Financial Position
as at 30 June 2017

$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	6,096	3,676
Investments	6b	103,728	87,832
Receivables	7	24,409	23,943
Inventories	8	6,617	4,501
Other	8	299	411
Total current assets		**141,149**	**120,363**
Non-current assets			
Investments	6b	3,751	–
Infrastructure, property, plant and equipment	9	1,247,698	1,174,454
Investments accounted for using the equity method	19	290	488
Intangible assets	25	2,363	1,650
Total non-current assets		**1,254,102**	**1,176,592**
TOTAL ASSETS		1,395,251	1,296,955
LIABILITIES			
Current liabilities			
Payables	10	9,707	8,497
Income received in advance	10	1,906	1,889
Borrowings	10	3,943	3,976
Provisions	10	9,659	9,684
Total current liabilities		**25,215**	**24,046**
Non-current liabilities			
Borrowings	10	45,119	49,063
Provisions	10	3,277	3,683
Total non-current liabilities		**48,396**	**52,746**
TOTAL LIABILITIES		73,611	76,792
Net assets		1,321,640	1,220,163
EQUITY			
Retained earnings	20	747,601	712,188
Revaluation reserves	20	574,039	507,975
Council equity interest		1,321,640	1,220,163
Non-controlling equity interests		–	–
Total equity		1,321,640	1,220,163

Albury City Council

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

2017			Asset					2016	Asset				
		Retained	revaluation reserve	Other reserves	Council	Non-controlling	Total	Retained	revaluation reserve	Other reserves	Council	Non-controlling	Total
$ '000	Notes	earnings	(Refer 20b)	(Refer 20b)	interest	interest	equity	earnings	(Refer 20b)	(Refer 20b)	interest	interest	equity
Opening balance (as per last year's audited accounts)		712,188	507,975	–	**1,220,163**	–	**1,220,163**	681,908	479,999	–	**1,161,907**	–	**1,161,907**
c. Net operating result for the year		**35,413**	**–**	**–**	**35,413**	**–**	**35,413**	30,280	–	–	**30,280**	–	**30,280**
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	65,351	–	**65,351**	–	**65,351**	–	27,901	–	**27,901**	–	**27,901**
– Revaluations: Intangible assets	20b (ii)	–	713	–	**713**	–	**713**	–	75	–	**75**	–	**75**
Other comprehensive income		**–**	**66,064**	**–**	**66,064**	**–**	**66,064**	**–**	**27,976**	**–**	**27,976**	**–**	**27,976**
Total comprehensive income		**35,413**	**66,064**	**–**	**101,477**	**–**	**101,477**	**30,280**	**27,976**	**–**	**58,256**	**–**	**58,256**
Equity – balance at end of the reporting period		**747,601**	**574,039**	**–**	**1,321,640**	**–**	**1,321,640**	**712,188**	**507,975**	**–**	**1,220,163**	**–**	**1,220,163**

Albury City Council

Statement of Cash Flows
for the year ended 30 June 2017

Budget 2017	$ '000	Notes	Actual 2017	Actual 2016
	Cash flows from operating activities			
	Receipts:			
63,307	Rates and annual charges		64,094	61,853
36,892	User charges and fees		41,997	39,492
2,441	Investment and interest revenue received		2,271	2,810
13,929	Grants and contributions		20,804	16,769
–	Bonds, deposits and retention amounts received		–	823
4,297	Other		7,255	5,602
	Payments:			
(36,620)	Employee benefits and on-costs		(36,585)	(34,441)
(25,467)	Materials and contracts		(26,791)	(28,710)
(3,344)	Borrowing costs		(3,173)	(3,129)
–	Bonds, deposits and retention amounts refunded		(59)	–
(12,724)	Other		(13,665)	(12,060)
42,711	**Net cash provided (or used) in operating activities**	11b	56,148	49,009
	Cash flows from investing activities			
	Receipts:			
1,475	Sale of real estate assets		250	557
610	Sale of infrastructure, property, plant and equipment		194	483
–	Distributions received from joint ventures and associates		187	128
	Payments:			
–	Purchase of investment securities		(19,619)	(24,424)
(46,136)	Purchase of infrastructure, property, plant and equipment		(28,720)	(32,631)
(6,346)	Purchase of real estate assets		(2,037)	(288)
–	Contributions paid to joint ventures and associates		(6)	(15)
(50,397)	**Net cash provided (or used) in investing activities**		(49,751)	(56,190)
	Cash flows from financing activities			
	Receipts:			
5,000	Proceeds from borrowings and advances		–	7,950
	Payments:			
(4,440)	Repayment of borrowings and advances		(3,977)	(3,410)
560	**Net cash flow provided (used) in financing activities**		(3,977)	4,540
(7,126)	**Net increase/(decrease) in cash and cash equivalents**		2,420	(2,641)
36,098	Plus: **cash and cash equivalents – beginning of year**	11a	3,676	6,317
28,972	**Cash and cash equivalents – end of the year**	11a	6,096	3,676

Albury City Council

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

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

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reported financial position or performance. Related party disclosures can be found at Note 28.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

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

(iii) Estimated landfill remediation provision

(iv) Estimated employee benefits

(b) Revenue recognition

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

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

Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

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.

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

(ii) User charges and fees

User charges and fees (including parking fines) are recognised as revenue when the service has been provided 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 at reporting date.

(iii) 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.

(iv) Interest

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

(v) Rent

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

(vi) 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 2017) and (ii) all the related operating results (for the financial year ended 30 June 2017).

(i) The Consolidated Fund

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

Cash and other assets of 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 (NSW) (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the Council in trust which must be applied only for the purposes of, or in accordance with the trusts relating to those monies.

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

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

(iii) Interests in other entities

Joint ventures

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

(d) Leases

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

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

(e) Impairment of assets

Council assesses at each balance date whether there is objective evidence that an asset or group of assets is impaired. No such objective evidence was uncovered as a result of this assessment.

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes cash on hand; deposits held at call with financial institutions 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 which are subject to an insignificant risk of changes in value.

(g) Inventories

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

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

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

Costs of purchased inventory are determined after deducting rebates and discounts.

(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.

(h) Investments

Classification

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

Management determines the classification of its investments at initial recognition.

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

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

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government.

At reporting date, the following classes of IPPE were stated at their fair value:

- **Plant and equipment**
  (as approximated by depreciated historical cost)
- **Operational land**
  (external desktop indexation)
- **Community land**
  (external desktop indexation)

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

- **Land improvements**
  (as approximated by depreciated historical cost)

- **Buildings – specialised/non-specialised**
  (external desktop indexation)

- **Other structures**
  (external desktop indexation)

- **Roads assets including roads, bridges and footpaths**
  (internal valuations indexed using external Rawlinson's Building Price Index)

- **Drainage Assets**
  (internal valuations indexed using external Rawlinson's Building Price Index)

- **Water and sewerage networks**
  (internal valuations indexed using external Rawlinson's Building Price Index)

- **Other assets**
  (as approximated by depreciated historical cost)

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

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

Depreciation

Land is not depreciated.

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

Plant and equipment	
- 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

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

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

(j) Payables

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

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

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

(k) 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 Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

(l) Borrowing costs

Borrowing costs are expensed.

(m) Provisions

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

(n) Employee benefits

(i) Short-term obligations

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

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

(ii) Other long-term employee benefit obligations

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

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

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

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

(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.

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

Defined Contribution Plans

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

(o) Land under roads

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

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

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

(p) 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.

(q) 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.

(r) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), *"all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed"*. Council has recognised rural fire service land and buildings, however plant and vehicles have not been recognised.

(s) Provision for landfill rehabilitation

Estimated landfill 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.

Provisions for landfill 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 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 rehabilitation costs can be found at Note 26.

Albury City Council

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

Note 1. Summary of significant accounting policies (continued)

(t) Goods and Services Tax (GST)

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

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

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

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

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

Council does not consider that any of these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows. The following standards are expected to have an immaterial impact;

AASB 9 Financial Instruments which will be effective for annual reporting periods beginning on or after 1 January 2018.

AASB 15 Revenue from Contracts with Customers which will be effective for annual reporting periods beginning on or after 1 January 2018.

AASB 16 Leases which will be effective for annual reporting periods beginning on or after 1 January 2019.

(v) Rounding of amounts

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

(w) 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.

(x) Disclaimer

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

Albury City Council

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

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

$ '000	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
Functions/activities	**Income from continuing operations**			**Expenses from continuing operations**			**Operating result from continuing operations**			**Grants included in income from continuing operations**		**Total assets held (current & non-current)**	
	Original budget 2017	**Actual 2017**	Actual 2016	**Original budget 2017**	**Actual 2017**	Actual 2016	**Original budget 2017**	**Actual 2017**	Actual 2016	**Actual 2017**	Actual 2016	**Actual 2017**	Actual 2016
Governance	2	4	3	471	909	859	(469)	(905)	(856)	–	–	1	–
Administration	1,631	2,352	1,327	12,894	12,798	11,284	(11,263)	(10,446)	(9,957)	437	177	226,659	212,276
Public order and safety	774	602	771	2,408	1,904	1,820	(1,634)	(1,302)	(1,049)	73	205	305	358
Health	154	173	123	182	172	184	(28)	1	(61)	–	–	–	–
Environment	13,590	15,085	14,238	14,658	13,482	13,298	(1,068)	1,603	940	483	175	172,588	168,556
Community services and education	4,228	4,748	3,915	5,113	5,301	4,850	(885)	(553)	(935)	475	323	38,560	37,508
Housing and community amenities	1,756	1,697	1,632	5,757	4,897	4,796	(4,001)	(3,200)	(3,164)	177	173	782	413
Water supplies	15,944	18,424	18,080	9,987	9,595	9,366	5,957	8,829	8,714	164	164	260,101	245,221
Sewerage services	21,401	24,607	23,591	12,142	11,987	12,378	9,259	12,620	11,213	162	162	241,645	225,964
Recreation and culture	4,982	4,728	6,244	15,597	16,918	17,760	(10,615)	(12,190)	(11,516)	549	1,369	22,599	19,747
Mining, manufacturing and construction	1,297	1,262	1,443	9,482	10,144	9,495	(8,185)	(8,882)	(8,052)	–	–	–	–
Transport and communication	9,609	16,906	16,106	14,270	13,652	13,840	(4,661)	3,254	2,266	2,012	1,911	425,918	382,622
Economic affairs	211	193	250	2,302	1,847	1,971	(2,091)	(1,654)	(1,721)	50	98	5,803	3,802
Total functions and activities	**75,579**	**90,781**	**87,723**	**105,263**	**103,606**	**101,901**	**(29,684)**	**(12,825)**	**(14,178)**	**4,582**	**4,757**	**1,394,961**	**1,296,467**
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	17	5	–	(17)	(5)	–	–	290	488
General purpose income [1]	44,810	48,255	44,463	–	–	–	44,810	48,255	44,463	9,508	6,606	–	–
Net Operating Result for the year (2)	**120,389**	**139,036**	**132,186**	**105,263**	**103,623**	**101,906**	**15,126**	**35,413**	**30,280**	**14,090**	**11,363**	**1,395,251**	**1,296,955**

1. Includes: rates and annual charges, untied general purpose grants and unrestricted interest and investment income.
2. As reported on the Income Statement.

Albury City Council

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

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

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.

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.

Albury City Council

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

Note 3. Income from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		26,856	25,870
Farmland		554	504
Business		10,006	9,747
Total ordinary rates		**37,416**	**36,121**
Special rates			
Parking		488	480
Promotional levy		146	143
Total special rates		**634**	**623**
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,230	5,811
Stormwater management services		182	218
Water supply services		2,920	3,316
Sewerage services		16,545	16,276
Total annual charges		**25,877**	**25,621**
TOTAL RATES AND ANNUAL CHARGES		63,927	62,365

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

Albury City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		11,035	11,346
Sewerage services		2,955	2,683
Drainage services		544	503
Waste management services (non-domestic)		8,652	7,925
Total user charges		**23,186**	**22,457**
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		1,710	1,784
Private works – section 67		285	256
Section 603 certificates		141	147
Total fees and charges – statutory/regulatory		**2,136**	**2,187**
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		6,222	5,852
Cemeteries		909	958
Child care		2,488	2,264
Community centres		1,277	1,189
Fire and emergency services levy (FESL) implementation		122	–
Leaseback fees – Council vehicles		220	199
Sporting ground fees		120	54
Swimming centres		25	25
Water sales and charges		720	873
Other		1,095	1,134
Total fees and charges – other		**13,198**	**12,548**
TOTAL USER CHARGES AND FEES		38,520	37,192

Albury City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		123	134
– Interest earned on investments (interest and coupon payment income)		3,120	2,531
Fair value adjustments			
– Fair valuation movements in investments		28	839
TOTAL INTEREST AND INVESTMENT REVENUE		3,271	3,504
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		123	134
General Council cash and investments		1,208	1,602
Restricted investments/funds – external:			
Development contributions			
– Section 94		21	15
Water fund operations		892	827
Sewerage fund operations		1,027	926
Total interest and investment revenue recognised		**3,271**	**3,504**
(d) Other revenues			
Rental income – other council properties		1,013	885
Fines – parking		262	250
Fines – other		28	53
Legal fees recovery – rates and charges		278	248
Albury Entertainment Centre catering		810	905
Children's services		991	870
Sales – general		1,243	1,003
Workers compensation		194	357
TOTAL OTHER REVENUE		4,819	4,571

Albury City Council

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

Note 3. Income from continuing operations (continued)

$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants					
General purpose (untied)					
Financial assistance – general component	[1]	7,083	4,841	–	–
Financial assistance – local roads component	[1]	1,942	1,272	–	–
Pensioners' rates subsidies – general component		483	493	–	–
Total general purpose		**9,508**	**6,606**	**–**	**–**
Specific purpose (tied)					
Pensioners' rates subsidies:					
– Water		164	164	–	–
– Sewerage		162	162	–	–
Community centres		311	159	–	–
Employment and training programs		48	53	–	–
Heritage and cultural		108	130	356	1,239
Local Infrastucture Replacement Scheme subsidy		71	62	–	–
Street lighting		177	173	–	–
Transport		589	73	1,567	1,722
Other		490	641	539	179
Total specific purpose		**2,120**	**1,617**	**2,462**	**3,140**
Total grants		**11,628**	**8,223**	**2,462**	**3,140**
Grant revenue is attributable to:					
– Commonwealth funding		9,416	6,426	–	2,776
– State funding		2,166	1,749	–	364
– Other funding		46	48	2,462	–
		11,628	**8,223**	**2,462**	**3,140**

1 The Financial Assistance Grants received during the 2016/17 financial year includes funding received in advance that relates to the 2017/18 financial year; general purpose component $2.4 million; local roads component $660,000.

Albury City Council

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

Note 3. Income from continuing operations (continued)

$ '000		2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions					
Developer contributions:					
(s93 & s94 – EP&A Act, s64 of the LGA):					
S 94 – contributions towards amenities/services		–	–	1,399	638
S 94A – fixed development consent levies		–	–	487	322
S 64 – water supply contributions		–	–	1,074	588
S 64 – sewerage service contributions		–	–	1,772	1,570
Total developer contributions	17	**–**	**–**	**4,732**	**3,118**
Other contributions:					
Dedications (other than by s94) (in-kind)		–	–	8,518	7,949
Philanthropy MAMA		–	–	197	558
Recognition of art work (in-kind)		–	–	201	670
RMS contributions (regional roads, block grant)		470	573	–	–
Other		291	323	–	–
Total other contributions		**761**	**896**	**8,916**	**9,177**
Total contributions		761	896	13,648	12,295
TOTAL GRANTS AND CONTRIBUTIONS		12,389	9,119	16,110	15,435

Albury City Council

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

Note 3. Income from continuing operations (continued)

$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	985	2,059
Add: grants and contributions recognised in the current period but not yet spent:	1,464	426
Less: grants and contributions recognised in a previous reporting period now spent:	(985)	(1,500)
Net increase (decrease) in restricted assets during the period	**479**	**(1,074)**
Unexpended and held as restricted assets	1,464	985
Comprising:		
– Specific purpose unexpended grants	682	454
– Developer contributions	782	531
	1,464	**985**

Albury City Council

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

Note 4. Expenses from continuing operations

$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		29,899	28,280
Travel expenses		106	100
Employee leave entitlements (ELE)		3,308	3,241
Superannuation – defined contribution plans		2,522	2,432
Superannuation – defined benefit plans		1,129	1,069
Workers' compensation insurance		485	535
Fringe benefit tax (FBT)		202	318
Payroll tax		210	199
Training costs (other than salaries and wages)		643	695
Total employee costs		**38,504**	**36,869**
Less: capitalised costs		(2,201)	(2,021)
TOTAL EMPLOYEE COSTS EXPENSED		36,303	34,848
Number of 'full-time equivalent' employees (FTE) at year end		**443**	**426**
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		**469**	**464**
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,173	3,129
Total interest bearing liability costs expensed		**3,173**	**3,129**
(ii) Other borrowing costs			
Amortisation of rehabilitation provision discount	26	50	50
Total other borrowing costs		**50**	**50**
TOTAL BORROWING COSTS EXPENSED		3,223	3,179

Albury City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		13,978	14,242
Contractor and consultancy costs		9,271	9,243
Auditors remuneration (1)		83	78
Legal expenses:			
– Planning and development		39	54
– Other		140	204
Operating leases:			
– Operating lease rentals (2)		420	423
Internal audit		47	57
Other		838	1,047
TOTAL MATERIALS AND CONTRACTS		24,816	25,348

1. Auditor remuneration

a. During the year, the following fees were incurred for services provided by the Auditor-General:

(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General	83	–
Total Auditor-General remuneration	**83**	**–**

b. During the year, the following fees were incurred for services provided by the other Council's Auditors (and the Auditors of other consolidated entities):

(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor	–	78
Total remuneration of other Council's Auditors	**–**	**78**
Total Auditor remuneration	**83**	**78**

2. Operating lease payments are attributable to:

Computers	350	365
Other	70	58
	420	**423**

Albury City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		853	846
Office equipment		387	358
Furniture and fittings		163	163
Land improvements		1,169	1,106
Infrastructure:			
– Buildings		4,100	3,826
– Other structures		323	328
– Roads, bridges and footpaths		7,810	8,137
– Stormwater drainage		1,842	1,746
– Water supply network		5,877	5,785
– Sewerage network		4,223	3,922
Other assets			
– Library books		210	193
– Other		23	23
Landfill cell rehabilitation costs	9 & 26	111	53
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		27,091	26,486

Albury City Council

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

Note 4. Expenses from continuing operations (continued)

$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		350	212
Bad and doubtful debts		25	28
Conferences and seminars		105	143
Contributions/levies to other levels of government			
– NSW fire brigade levy		453	424
– NSW rural fire service levy		209	195
– Other contributions/levies		51	35
Councillor expenses – mayoral fee		43	40
Councillor expenses – councillors' fees		164	161
Councillors' expenses (incl. mayor) – other (excluding fees above)		26	26
Donations, contributions and assistance to other organisations (Section 356)		835	988
Election expenses		70	67
Electricity and heating		3,548	3,735
Equipment purchases		507	496
Insurance		1,216	1,100
Marketing		489	511
Refund of carbon tax		665	833
Rent and hire charges		291	302
Street lighting		1,322	1,162
Other		470	547
TOTAL OTHER EXPENSES		10,839	11,005

Albury City Council

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

Note 5. Gains or losses from the disposal of assets

$ '000	Notes	Actual 2017	Actual 2016
Plant and equipment			
Proceeds from disposal – plant and equipment		194	483
Less: carrying amount of plant and equipment assets sold/written off		(141)	(253)
Net gain/(loss) on disposal		**53**	**230**
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets written off		(1,602)	(1,401)
Net gain/(loss) on disposal		**(1,602)**	**(1,401)**
Real estate assets held for sale			
Proceeds from disposal – real estate assets		250	557
Less: carrying amount of real estate assets sold		(35)	(421)
Net gain/(loss) on disposal		**215**	**136**
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,334)	(1,035)

Albury City Council

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

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

$ '000	Notes	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		2,027	–	1,676	–
Cash-equivalent assets [1]					
– Deposits at call		4,069	–	2,000	–
Total cash and cash equivalents		**6,096**	**–**	**3,676**	**–**
Investments (Note 6b)					
– Term deposits		103,728	3,751	87,832	–
Total investments		**103,728**	**3,751**	**87,832**	**–**
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		109,824	3,751	91,508	–

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

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

Cash and cash equivalents					
a. Cash		**6,096**	**–**	**3,676**	**–**
Investments					
a. 'Loans and receivables'	6(b-iii)	103,728	3,751	87,832	–
Investments		**103,728**	**3,751**	**87,832**	**–**

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

Albury City Council

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

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

$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Total cash, cash equivalents and investments	109,824	3,751	91,508	–
Attributable to:				
External restrictions (refer below)	67,085	3,751	54,412	–
Internal restrictions (refer below)	17,998	–	17,289	–
Unrestricted	24,741	–	19,807	–
	109,824	**3,751**	**91,508**	**–**

2017 $ '000		Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Details of restrictions					
External restrictions – included in liabilities					
Nil					
External restrictions – other					
Developer contributions – general	(A)	531	2,365	(2,114)	782
Developer contributions – water fund	(A)	–	1,074	(1,074)	–
Developer contributions – sewer fund	(A)	–	1,314	(1,314)	–
Specific purpose unexpended grants	(B)	454	228	–	682
Water supplies	(C)	24,311	5,881	–	30,192
Sewerage services	(C)	27,484	9,699	–	37,183
Domestic waste management	(C)	1,632	365	–	1,997
External restrictions – other		54,412	20,926	(4,502)	70,836
Total external restrictions		**54,412**	**20,926**	**(4,502)**	**70,836**

See footnotes page 31

Albury City Council

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

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

2017 $ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Employees leave entitlement	2,321	–	(31)	2,290
Carbon tax	2,725	–	(2,725)	–
Carry over works (net of loans not taken up)	6,491	6,631	(6,491)	6,631
Community fund	258	–	(155)	103
Deposits, retentions and bonds	1,717	–	(63)	1,654
Elections	237	57	(237)	57
Landfill rehabilitation	2,156	306	–	2,462
Prepaid burial contributions	1,380	171	–	1,551
Tabletop community centre	4	–	–	4
Financial Assistance Grant paid in advance	–	3,060	–	3,060
MAMA Philanthrophy	–	186	–	186
Total internal restrictions	**17,289**	**10,411**	**(9,702)**	**17,998**
TOTAL RESTRICTIONS	71,701	31,337	(14,204)	88,834

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.

Albury City Council

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

Note 7. Receivables

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Purpose					
Rates and annual charges		7,372	–	7,539	–
User charges and fees		9,040	–	9,511	–
Accrued revenues					
– Interest on investments		1,544	–	572	–
– Other income accruals		276	–	258	–
Government grants and subsidies		311	–	346	–
Multi deck carpark		5,220	–	5,220	–
Other debtors		816	–	647	–
Total		**24,579**	**–**	**24,093**	**–**
Less: provision for impairment					
User charges and fees		(170)	–	(150)	–
Total provision for impairment – receivables		**(170)**	**–**	**(150)**	**–**
TOTAL NET RECEIVABLES		24,409	–	23,943	–
Externally restricted receivables					
Water supply					
– Specific purpose grants		164	–	164	–
– Rates and availability charges		1,366	–	1,262	–
– Other		4,894	–	5,219	–
Sewerage services					
– Specific purpose grants		162	–	162	–
– Rates and availability charges		5,535	–	5,350	–
– Other		1,732	–	1,760	–
Total external restrictions		**13,853**	**–**	**13,917**	**–**
Internally restricted receivables					
Nil					
Unrestricted receivables		**10,556**	**–**	**10,026**	**–**
TOTAL NET RECEIVABLES		24,409	–	23,943	–

Albury City Council

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

Note 8. Inventories and other assets

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		5,796	–	3,794	–
Stores and materials		535	–	523	–
Trading stock		33	–	28	–
Other		253	–	156	–
Total inventories at cost		**6,617**	**–**	**4,501**	**–**
TOTAL INVENTORIES		6,617	–	4,501	–
(b) Other assets					
Prepayments		299	–	411	–
TOTAL OTHER ASSETS		299	–	411	–
Externally restricted inventories and other assets					
Water					
Stores and materials		274	–	257	–
Total water		**274**	**–**	**257**	**–**
Sewerage					
Stores and materials		19	–	18	–
Total sewerage		**19**	**–**	**18**	**–**
Total externally restricted assets		293	–	275	–
Total unrestricted assets		6,623	–	4,637	–
TOTAL INVENTORIES AND OTHER ASSETS		**6,916**	**–**	**4,912**	**–**

Albury City Council

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

Note 8. Inventories and other assets (continued)

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		636	–	658	–
Industrial/commercial		5,160		3,136	–
Total real estate for resale		**5,796**	**–**	**3,794**	**–**
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		3,116	–	3,151	–
Development costs		2,680		643	–
Total real estate for resale		**5,796**	**–**	**3,794**	**–**
Movements:					
Real estate assets at beginning of the year		3,794	–	3,927	–
– Purchases and other costs		2,037	–	288	–
– WDV of sales (expense)	5	(35)		(421)	–
Total real estate for resale		**5,796**	**–**	**3,794**	**–**

(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;

	2017	2016
Real estate for resale	4,503	2,549
	4,503	**2,549**

Albury City Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017			
$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	10,089	–	10,089	5,416	3,247	–	–	(8,216)	–	–	10,536	–	–	10,536
Plant and equipment	21,887	13,189	8,698	1,576	–	(140)	(853)	2	–	–	–	21,645	12,362	9,283
Office equipment	6,161	4,885	1,276	268	–	–	(387)	–	–	–	–	6,475	5,318	1,157
Furniture and fittings	4,330	3,091	1,239	–	–	–	(163)	–	–	–	–	4,330	3,254	1,076
Land:														
– Operational land	35,832	–	35,832	–	3	–	–	–	–	717	–	36,552	–	36,552
– Community land	37,352	–	37,352	–	–	–	–	–	–	724	–	38,076	–	38,076
– Land under roads (post 30/6/08)	272	–	272	–	135	–	–	56	–	–	–	463	–	463
Land improvements – non-depreciable	1,795	–	1,795	–	–	–	–	–	–	–	–	1,795	–	1,795
Land improvements – depreciable	39,450	12,357	27,093	1,375	1,285	–	(1,169)	560	–	–	–	42,669	13,525	29,144
Infrastructure:														
– Buildings	209,164	108,334	100,830	781	1,923	–	(4,100)	3,124	–	3,890	–	223,358	116,910	106,448
– Other structures	9,259	4,341	4,918	218	169	–	(323)	4	–	205	–	10,021	4,830	5,191
– Roads, bridges and footpaths	607,861	228,035	379,826	6,291	4,822	(1,124)	(7,810)	1,128	–	39,210	–	632,002	209,659	422,343
– Stormwater drainage	214,432	50,668	163,764	100	2,878	(81)	(1,842)	229	–	6,400	–	225,666	54,218	171,448
– Water supply network	409,378	201,441	207,937	2,626	1,077	(167)	(5,877)	2,842	–	7,600	–	429,678	213,640	216,038
– Sewerage network	345,907	161,637	184,270	1,322	1,052	(231)	(4,223)	271	–	6,605	–	352,602	163,536	189,066
Other assets:														
– Library books	2,741	1,459	1,282	–	175	–	(210)	–	–	–	–	2,916	1,669	1,247
– Other	7,757	219	7,538	–	253	–	(23)	–	–	–	–	8,010	242	7,768
Reinstatement, rehabilitation and restoration assets (refer Note 26)**:**														
– Landfill rehabilitation and cell assets	1,369	926	443	–	–	–	(111)	–	(265)	–	–	1,103	1,036	67
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT	**1,965,036**	**790,582**	**1,174,454**	**19,973**	**17,019**	**(1,743)**	**(27,091)**	**–**	**(265)**	**65,351**	**10,536**	**2,037,361**	**800,199**	**1,247,698**

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

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

Albury City Council

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

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

$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Water supply						
WIP	2,033		**2,033**	2,756	–	**2,756**
Plant and equipment	454	454	**–**	–	–	**–**
Office equipment	9	9	**–**	–	–	**–**
Land						
– Operational land	1,193		**1,193**	1,170	–	**1,170**
– Community land	537		**537**	527	–	**527**
Buildings	2,438	1,049	**1,389**	1,237	984	**253**
Infrastructure	429,678	213,641	**216,037**	409,378	201,443	**207,935**
Total water supply	**436,342**	**215,153**	**221,189**	**415,068**	**202,427**	**212,641**
Sewerage services						
WIP	1,410	–	**1,410**	489	–	**489**
Plant and equipment	95	95	**–**	–	–	**–**
Office equipment	58	58	**–**	–	–	**–**
Land						
– Operational land	5,233	–	**5,233**	5,131	–	**5,131**
– Community land	327	–	**327**	321	–	**321**
– Improvements – depreciable	114	20	**94**	114	17	**97**
Buildings	2,751	1,937	**814**	2,599	1,789	**810**
Other structures	138	69	**69**	133	60	**73**
Infrastructure	352,602	163,536	**189,066**	345,907	161,637	**184,270**
Total sewerage services	**362,728**	**165,715**	**197,013**	**354,694**	**163,503**	**191,191**
TOTAL RESTRICTED I,PP&E	**799,070**	**380,868**	**418,202**	**769,762**	**365,930**	**403,832**

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

Albury City Council

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

Note 10a. Payables, borrowings and provisions

$ '000	Notes	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Payables					
Goods and services		5,692	–	4,920	–
Accrued expenses		2,367	–	1,870	–
Security bonds, deposits and retentions		1,648	–	1,707	–
Total payables		**9,707**	**–**	**8,497**	**–**
Income received in advance					
Payments received in advance		1,906	–	1,889	–
Total income received in advance		**1,906**	**–**	**1,889**	**–**
Borrowings					
Loans – secured		3,943	45,119	3,976	49,063
Total borrowings		**3,943**	**45,119**	**3,976**	**49,063**
Provisions					
Employee benefits:					
Annual leave		3,067	–	2,986	–
Long service leave		6,592	366	6,698	557
Sub-total – aggregate employee benefits		**9,659**	**366**	**9,684**	**557**
Landfill cell rehabilitation	26	–	2,911	–	3,126
Total provisions		**9,659**	**3,277**	**9,684**	**3,683**
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		25,215	48,396	24,046	52,746

(i) Liabilities relating to restricted assets

	2017 Current	2017 Non-current	2016 Current	2016 Non-current
Externally restricted assets				
Water	688	27	661	27
Sewer	1,846	7,424	2,107	8,843
Liabilities relating to externally restricted assets	2,534	7,451	2,768	8,870
Total liabilities relating to restricted assets	2,534	7,451	2,768	8,870
Total liabilities relating to unrestricted assets	22,681	40,945	21,278	43,876
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	25,215	48,396	24,046	52,746

(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.	2017	2016
Provisions – employees benefits	5,815	6,328
	5,815	**6,328**

Albury City Council

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

Note 11. Statement of cash flows – additional information

$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	6,096	3,676
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		**6,096**	**3,676**
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		**35,413**	**30,280**
Adjust for non-cash items:			
Depreciation and amortisation		27,091	26,486
Net losses/(gains) on disposal of assets		1,334	1,035
Non-cash capital grants and contributions		(8,720)	(8,764)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(28)	(839)
– Other (Water Licence Market Adjustment)		713	75
Amortisation of premiums, discounts and prior period fair valuations			
Unwinding of discount rates on reinstatement provisions		50	50
Share of net (profits) or losses of associates/joint ventures		17	5
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(486)	525
Increase/(decrease) in provision for doubtful debts		20	28
Decrease/(increase) in inventories		(114)	27
Decrease/(increase) in other assets		112	(241)
Increase/(decrease) in payables		772	(853)
Increase/(decrease) in accrued interest payable		–	–
Increase/(decrease) in other accrued expenses payable		497	(450)
Increase/(decrease) in other liabilities		(42)	1,253
Increase/(decrease) in employee leave entitlements		(216)	461
Increase/(decrease) in other provisions		(265)	(69)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		**56,148**	**49,009**

Albury City Council

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

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

$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
S94 contributions 'in kind'		6,450	6,081
S64 contributions "in kind"		2,069	2,013
Other dedications		201	670
Total non-cash investing and financing activities		**8,720**	**8,764**
(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**

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

Albury City Council

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

Note 12. Commitments for expenditure

$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
– Kerr Road reconstruction stages 1 & 2 & Sewer Rising Main		–	72
– Upgrade Albury Water Filtration Plant B to DAFF		–	2,541
– Contruction of Regional Rescource Centre		–	804
– Air Supply Pipework: Waterview WWTP		–	58
– Albury Airport: Taxiway Upgrade		–	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
– Open Purchase Orders - Capital Fleet Purchases		508	–
– Open Purchase Orders - Capital Other Purchases		591	–
– Albury Waste Management Centre Push Pit Construction		362	–
– Lavington Sports Ground Design Services		173	–
– Kerr Rd Reconstruction Stage 3		661	–
– Airport Terminal Upgrade Construction		3,270	–
– North Albury Pump Station Modifications		142	–
– Travel Stop Way Roundabout Construction		353	–
– Albury Waste Management Centre Bulk Earthworks Stage 2		66	–
Total commitments		**6,126**	**6,512**
These expenditures are payable as follows:			
Within the next year		6,126	6,512
Later than one year and not later than 5 years		–	–
Total payable		**6,126**	**6,512**
(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		169	306
Later than one year and not later than 5 years		462	1,017
Total non-cancellable operating lease commitments		**631**	**1,323**

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.

Albury City Council

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

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

$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	Prior periods 2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue [1] excluding capital grants and contributions less operating expenses	20,626	16.8%	13.0%	14.5%	>0.0%
Total continuing operating revenue [1] excluding capital grants and contributions	122,898				
2. Own source operating revenue ratio					
Total continuing operating revenue [1] excluding all grants and contributions	110,509	79%	81%	82%	>60%
Total continuing operating revenue [1]	139,008				
3. Unrestricted current ratio					
Current assets less all external restrictions [2]	55,415	3.3x	3.3x	2.7x	>1.5x
Current liabilities less specific purpose liabilities [3, 4]	16,866				
4. Debt service cover ratio					
Operating result [1] before capital excluding interest and depreciation/impairment/amortisation	50,940	7.1x	6.8x	7.2x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	7,200				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,372	10.3%	10.8%	11.1%	<10% Rural
Rates, annual and extra charges collectible	71,867				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits x12	113,575	16.18 mths	13.4 mths	9.5 mths	> 3 mths
Payments from cash flow of operating and financing activities	7,021				

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.

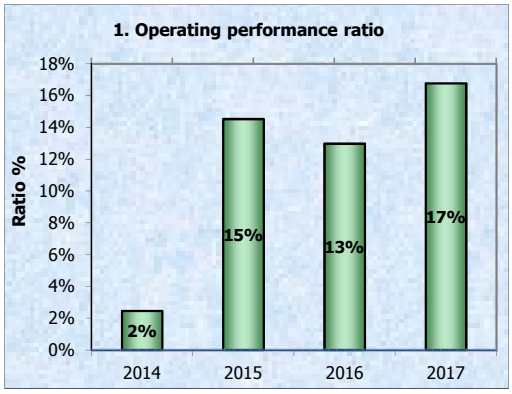
[3] Refer to Note 10(a).

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

Albury City Council

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

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



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

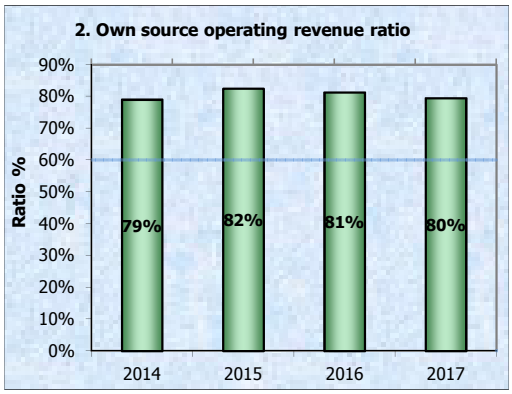
Commentary on 2016/17 result
2016/17 ratio 16.78%
The 2016/17 result includes 2017/18 financial assistance grants of $3.1 million received in advance from the Federal Government.

Benchmark: ——— Minimum >=0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark



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

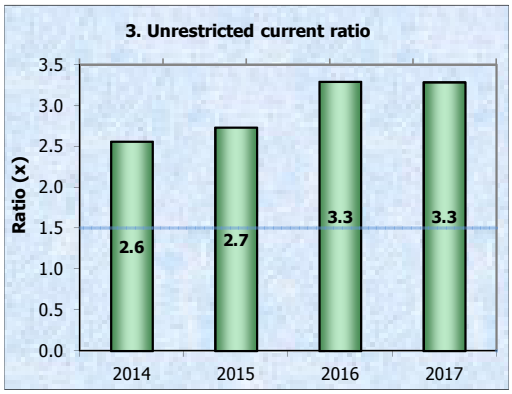
Commentary on 2016/17 result
2016/17 ratio 79.50%
AlburyCity's own source operating revenue including rates and charges has been maintained at around 80%.

Benchmark: ——— Minimum >=60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark



Purpose of unrestricted current ratio
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 2016/17 result
2016/17 ratio 3.3x
Unrestricted current assets includes $5.2 million in regard to the construction of a multideck carpark and $3.1 million of financial assistance grants received in advance.

Benchmark: ——— Minimum >=1.50

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

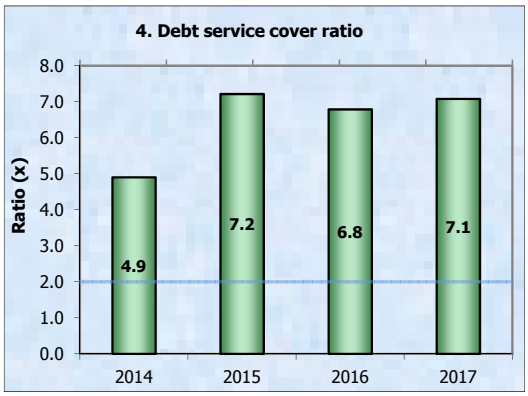
Ratio achieves benchmark

Ratio is outside benchmark

Albury City Council

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

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



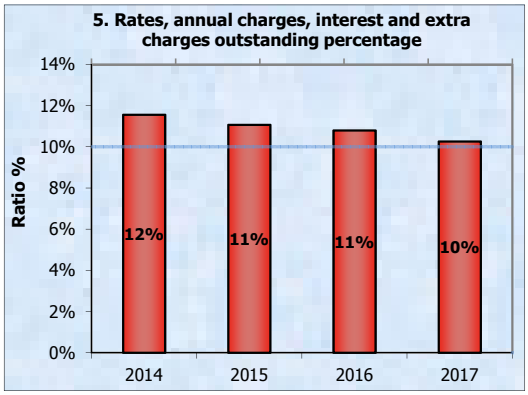
Purpose of debt service cover ratio
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result
2016/17 ratio 7.08x
Demonstrates that sufficient cash is being generated from operations to fund loan repayments.

Benchmark: ——— Minimum >=2.00

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

Ratio achieves benchmark
Ratio is outside benchmark



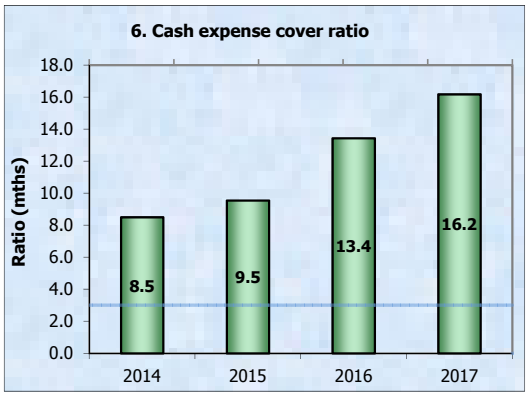
Purpose of rates and annual charges outstanding ratio
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result
2016/17 ratio 10.26%
The majority of the outstanding balance relates to the 3rd water bill that is not payable until after year end.

Benchmark: ——— Maximum <10.00%

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

Ratio is within Benchmark
Ratio is outside Benchmark



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

Commentary on 2016/17 result
2016/17 ratio 16.18 mths
The increase is mainly due to additional restricted funds held including Water Fund $30.2 million and Sewer Fund $37.2 million.

Benchmark: ——— Minimum >=3.00

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

Ratio achieves benchmark
Ratio is outside benchmark

Albury City Council

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

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

$ '000	General indicators [5] 2017	General indicators [5] 2016	Water indicators 2017	Water indicators 2016	Sewer indicators 2017	Sewer indicators 2016	Benchmark
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	**10.1%**	5.0%	**28.1%**	29.2%	**34.3%**	30.0%	>0.0%
2. Own source operating revenue ratio							
Total continuing operating revenue [1] excluding capital grants and contributions / Total continuing operating revenue [1]	**76%**	78%	**89%**	91%	**87%**	88%	>60%
3. Unrestricted current ratio							
Current assets less all external restrictions [2] / Current liabilities less specific purpose liabilities [3, 4]	**3.3x**	3.3x	**53.6x**	47.2x	**24.2x**	16.5x	>1.5x

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.

Albury City Council

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

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

$ '000	General indicators [5] 2017	General indicators [5] 2016	Water indicators 2017	Water indicators 2016	Sewer indicators 2017	Sewer indicators 2016	Benchmark
Local government industry indicators – by fund (continued)							
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)	**5.7x**	5.3x	**0.0x**	0.0x	**5.5x**	4.9x	>2x
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding / Rates, annual and extra charges collectible	**0.9%**	1.8%	**37.6%**	38.1%	**33.5%**	32.9%	<10% Rural
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	**8.3 months**	7.4 months	**51.2 months**	41.7 months	**42.8 months**	31.2 months	> 3 months

Notes

(1) 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.

Albury City Council

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

Note 14. Investment properties

$ '000	Notes	Actual 2017	Actual 2016

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 credit risk, liquidity risk and interest rate risk.

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.

Albury City Council

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

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 an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

Council's investments 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 having regard to credit ratings.

(a) Market risk – 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 the interest rates applicable.

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

	Increase of values/rates		Decrease of values/rates	
2017	**Profit**	**Equity**	**Profit**	**Equity**
Possible impact of a 1% movement in interest rates	1,136	1,136	(1,136)	(1,136)
2016				
Possible impact of a 1% movement in interest rates	915	915	(915)	(915)

Albury City Council

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

Note 15. Financial risk management (continued)

$ '000

(b) Credit risk

Council's major receivables comprise rates and annual charges and user charges and fees.

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

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

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

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

Council makes suitable provision for doubtful receivables as required.
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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	94%	95%	87%	90%
Overdue	6%	5%	13%	10%
	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	6,901	16,345	6,562	14,940
Overdue	0 – 30 days overdue	471	262	977	131
	31 – 60 days overdue	–	66	–	55
	61 – 90 days overdue	–	138	–	183
	> 91 days overdue	–	396	–	1,245
		7,372	**17,207**	**7,539**	**16,554**

(iii) Movement in provision for impairment of receivables	2017	2016
Balance at the beginning of the year	150	122
+ new provisions recognised during the year	63	57
– amounts already provided for and written off this year	(1)	(14)
– amounts provided for but recovered during the year	(42)	(15)
Balance at the end of the year	**170**	**150**

Albury City Council

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

Note 15. Financial risk management (continued)

$ '000

(c) Liquidity risk

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

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

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

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

$ '000	Subject to no maturity	payable in: ≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Total cash outflows	Actual carrying values
2017									
Trade/other payables	1,648	8,059	–	–	–	–	–	9,707	**9,707**
Loans and advances	–	7,237	6,109	5,326	4,381	3,983	30,684	57,720	**49,062**
Total financial liabilities	**1,648**	**15,296**	**6,109**	**5,326**	**4,381**	**3,983**	**30,684**	**67,427**	**58,769**
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**

The following interest rates were applicable to Council's borrowings at balance date:	2017 Carrying value	2017 Weighted Average interest rate	2016 Carrying value	2016 Weighted Average interest rate
Trade/other payables	9,707	N/A	8,497	N/A
Loans and advances – fixed interest rate	49,062	6.15%	53,039	6.60%
	58,769		61,536	

Albury City Council

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

Note 16. Material budget variations

$ '000

Council's original budget for the 2016/17 financial year was adopted by the Council on 14 June 2016.
Material budget variations of more than 10% within the income statement and statement of cash flows are explained below.
F = Favourable budget variation, **U** = Unfavourable budget variation

$ '000	2017 Budget	2017 Actual	2017 Variance*		
REVENUES					
Rates and annual charges	**63,313**	**63,927**	**614**	1%	**F**
User charges and fees	**35,732**	**38,520**	**2,788**	8%	**F**
Interest and investment revenue	**2,608**	**3,271**	**663**	25%	**F**
Additional interest revenue was received as the amount of funds available to invest was more than budgeted.					
Other revenues	**4,587**	**4,819**	**232**	5%	**F**
Operating grants and contributions	**8,661**	**12,389**	**3,728**	43%	**F**
In June 2017 the Federal Government brought forward the payment of local government financial assistance grants of $3 million that relate the 2017/18 financial year.					
Capital grants and contributions	**5,375**	**16,110**	**10,735**	200%	**F**
Non-cash asset dedications of $8.5 million were recognised which were not budgeted for as the amount is difficult to predict. Developer cash contributions received were $2.7 million more than budget, as development activity was more than budgeted.					
Net gains from disposal of assets	**113**	**–**	**(113)**	(100%)	**U**
A net loss was recognised rather than a net gain.					

Albury City Council

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

Note 16. Material budget variations (continued)

$ '000	2017 Budget	2017 Actual	2017 Variance*		
EXPENSES					
Employee benefits and on-costs	36,922	36,303	619	2%	F
Borrowing costs	3,502	3,223	279	8%	F
Materials and contracts	25,128	24,816	312	1%	F
Depreciation and amortisation	26,912	27,091	(179)	(1%)	U
Other expenses	12,799	10,846	1,953	15%	F
Electricity and gas expenses were less than budget by $1.5 million due to changes in tariffs, market rates and consumption.					
Net losses from disposal of assets	–	1,334	(1,334)	0%	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.					
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	42,711	56,155	13,444	31%	F
The increase in cash inflows compared to budget largely reflects the operating result including capital income (excluding non-cash capital contributions and also infrastructure write-offs).					
Cash flows from investing activities	(50,397)	(49,751)	646	(1%)	F
Cash flows from financing activities	560	(3,977)	(4,537)	(810%)	U
Additional loan funding of $5 million was not drawn down during the financial year as budgeted due to the revised timing of capital works.					

Albury City Council

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

Note 17. Statement of developer contributions

$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	119	78	–	1	(134)	–	**64**	–
Roads	–	614	–	–	(614)	–	**–**	–
Parking	382	–	–	11	–	–	**393**	–
Open space	–	122	–	–	(122)	–	**–**	–
Community facilities	–	316	–	9	–	–	**325**	–
Thurgoona/Wirlinga	23	267	–	–	(290)	–	**–**	–
NEXUS Industrial Hub	–	–	–	–	–	–	**–**	–
Hamilton Valley	7	3	–	–	(10)	–	**–**	–
S94 contributions – under a plan	**531**	**1,400**	**–**	**21**	**(1,170)**	**–**	**782**	**–**
S94A levies – under a plan	**–**	**487**	**–**	**–**	**(487)**	**–**	**–**	**–**
Total S94 revenue under plans	**531**	**1,887**	**–**	**21**	**(1,657)**	**–**	**782**	**–**
S64 contributions	–	2,845	–	–	(2,845)	–	**–**	–
Total contributions	**531**	**4,732**	**–**	**21**	**(4,502)**	**–**	**782**	**–**

Albury City Council

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

Note 17. Statement of developer contributions (continued)

$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Contribution Plan - 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	119	78	–	1	(134)	–	**64**	–
Roads	–	614	–	–	(614)	–	**–**	–
Parking	382	–	–	11	–	–	**393**	–
Open space	–	122	–	–	(122)	–	**–**	–
Community facilities	–	316	–	9	–	–	**325**	–
Total	**501**	**1,130**	**–**	**21**	**(870)**	**–**	**782**	**–**

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)
Thurgoona/Wirlinga	23	267	–	–	(290)	–	**–**	–
NEXUS Industrial Hub	–	–	–	–	–	–	**–**	–
Hamilton Valley	7	3	–	–	(10)	–	**–**	–
Total	**30**	**270**	**–**	**–**	**(300)**	**–**	**–**	**–**

S94A LEVIES – UNDER A PLAN

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)
S94A	–	487	–	–	(487)	–	**–**	–
Total	**–**	**487**	**–**	**–**	**(487)**	**–**	**–**	**–**

Albury City Council

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

Note 18. Contingencies and other assets/liabilities not recognised

$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council 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 2nd December 2016.

The share of the Scheme deficit at 30 June 2017 that can broadly attributed to Council is 1.15%.

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 included in Council's total employer contribution for the year ended 30 June 2017 is $447,999.

Council's additional contributions of $447,999 per annum represents approximately 1.12% of the total additional lump sum contributions for all pooled employers of $40 million, apportioned according to each employer's share of the accrued liabilities as at 30 June 2016.

The amount of Council's employer contributions to the Scheme accounted for as an expense for the year ended 30 June 2017 was $943,467. Council's expected standard and additional contributions to the plan for the next annual reporting period is $894,733.

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.

Albury City Council

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

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

$ '000

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.

Albury City Council

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

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

$ '000

(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 $867,763 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.

Albury City Council

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

Note 19. Interests in other entities

$ '000

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	(17)	(5)	290	488
Total	**(17)**	**(5)**	**290**	**488**

(a) Joint ventures and associates

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Thurgoona Industrial Estate	Joint Venture	Net Realisable	290	488
Total carrying amounts – material joint ventures and associates			**290**	**488**
Dividends received by Council			**188**	**128**

(b) Subsidiaries, joint arrangements and 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	2017 Net profit	2017 Net assets
Wonga Wetlands Conservation Association	Environmental Wetlands Conservation	(1)	3

Albury City Council

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

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

$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		712,188	681,908
c. Other comprehensive income (excl. direct to reserves transactions)		–	–
d. Net operating result for the year		35,413	30,280
Balance at end of the reporting period		747,601	712,188
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		572,686	507,335
– Other reserves (Intangible Assets - Water Licences)		1,353	640
Total		**574,039**	**507,975**
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		507,335	479,434
– Revaluations for the year	9(a)	65,351	27,901
– Balance at end of year		**572,686**	**507,335**
Intangible assets revaluation reserve			
– Opening balance		640	565
– Increases/(decreases) for the year		713	75
– Balance at end of year		**1,353**	**640**
TOTAL VALUE OF RESERVES		**574,039**	**507,975**

(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.

Albury City Council

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

Note 21. Financial result and financial position by fund

$ '000

Income Statement by fund $ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	**Water**	**Sewer**	**General**[1]
Income from continuing operations			
Rates and annual charges	3,636	16,543	43,748
User charges and fees	11,755	3,619	23,146
Interest and investment revenue	892	1,027	1,352
Other revenues	158	160	4,501
Grants and contributions provided for operating purposes	164	162	12,063
Grants and contributions provided for capital purposes	1,820	3,095	11,195
Total income from continuing operations	**18,425**	**24,606**	**96,005**
Expenses from continuing operations			
Employee benefits and on-costs	1,468	2,080	32,755
Borrowing costs	–	709	2,514
Materials and contracts	1,381	2,698	20,737
Depreciation and amortisation	5,902	4,307	16,882
Other expenses	2,951	3,969	3,919
Net losses from the disposal of assets	167	231	936
Share of interests in joint ventures and associates using the equity method	–	–	17
Total expenses from continuing operations	**11,869**	**13,994**	**77,760**
Net operating result for the year	6,556	10,612	18,245
Net operating result attributable to each council fund	6,556	10,612	18,245
Net operating result for the year before grants and contributions provided for capital purposes	4,736	7,517	7,050

[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.

Albury City Council

Notes to the Financial Statements
as at 30 June 2017

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

$ '000

Statement of Financial Position by fund $ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	**Water**	**Sewer**	**General**[1]
Current assets			
Cash and cash equivalents	–	–	6,096
Investments	30,192	37,183	40,104
Receivables	6,424	7,430	10,555
Inventories	274	19	6,324
Other	–	–	299
Total current assets	36,890	44,632	63,378
Non-current assets			
Infrastructure, property, plant and equipment	221,189	197,014	829,495
Investments accounted for using the equity method	–	–	290
Intangible assets	2,142	–	221
Total non-current assets	223,331	197,014	830,006
TOTAL ASSETS	**260,221**	**241,646**	**893,384**
LIABILITIES			
Current liabilities			
Payables	229	65	9,413
Income received in advance	–	–	1,906
Borrowings	–	1,425	2,518
Provisions	459	356	8,844
Total current liabilities	688	1,846	22,681
Non-current liabilities			
Borrowings	–	7,403	37,716
Provisions	27	22	3,228
Total non-current liabilities	27	7,425	40,944
TOTAL LIABILITIES	**715**	**9,271**	**63,625**
Net assets	**259,506**	**232,375**	**829,759**
EQUITY			
Retained earnings	172,756	158,251	416,594
Revaluation reserves	86,750	74,124	413,165
Total equity	**259,506**	**232,375**	**829,759**

[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.

Albury City Council

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

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 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 23/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

$ '000

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

Albury City Council

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

Note 25. Intangible assets

$ '000	Actual 2017	Actual 2016

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

Intangible assets are as follows:

Opening values:		
Gross book value (1/7)	1,650	1,575
Net book value – opening balance	**1,650**	**1,575**
Movements for the year		
– Other capitalised costs (market adjustment)	713	75
Closing values:		
Gross book value (30/6)	2,363	1,650
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE [1]	2,363	1,650

1. The net book value of intangible assets represent:

– Water licence (water fund)	2,142	1,496
– Water licence (general fund)	221	154
	2,363	**1,650**

Note 26. Reinstatement, rehabilitation and restoration 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 2017	NPV of provision 2016
Albury landfill cells	2019 to 2065		2,911	3,126
Balance at end of the reporting period		10(a)	2,911	3,126

Reconciliation of movement in provision for year:

Balance at beginning of year	3,126	2,580
Amounts capitalised to new or existing assets:		
– New Disturbance	–	264
– Revised cost	65	84
– Revised discount rate	(330)	148
Amortisation of discount (expensed to borrowing costs)	50	50
Total – reinstatement, rehabilitation and restoration provision	**2,911**	**3,126**

Albury City Council

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

Note 27. Fair value measurement

$ '000

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

– Infrastructure, property, plant and equipment
– Intangible Assets

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			
2017		**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	–	–	9,283	9,283
Office Equipment, Furniture & Fittings	Various	–	–	2,233	2,233
Land – Operational	30/06/17	–	–	36,552	36,552
Land – Community	30/06/17	–	–	38,076	38,076
Land – Under Roads	30/06/17	–	–	463	463
Land Improvements – Non Depreciable	30/06/17	–	–	1,795	1,795
Land Improvements – Depreciable	30/06/17	–	–	29,145	29,145
Buildings	30/06/17	–	–	106,448	106,448
Other Structures	30/06/17	–	–	5,191	5,191
Infrastructure – Roads, Bridges & Footpaths	30/06/17	–	–	422,343	422,343
Infrastructure – Stormwater Drainage	30/06/17	–	–	171,448	171,448
Infrastructure – Water Supply Network	30/06/17	–	–	216,037	216,037
Infrastructure – Sewerage Network	30/06/17	–	–	189,066	189,066
Landfill rehabilitation and cell assets	30/06/17	–	–	68	68
Library Books	Various	–	–	1,247	1,247
Other	Various	–	–	7,766	7,766
Total infrastructure, property, plant and equipment		**–**	**–**	**1,237,161**	**1,237,161**
Intangible Assets					
Water Licence	30/06/17	2,363	–	–	2,363
Total discontinued operations		**2,363**	**–**	**–**	**2,363**

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

2016		Fair value measurement hierarchy			
		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**

Albury City Council

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

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 value Council land as at 30 June 2015. The valuation has been indexed to 2017 by AssetVal Pty Ltd.

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.

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

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 has been indexed to 2017 by AssetVal Pty Ltd.

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.

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 2017 by AssetVal Pty Ltd.

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.

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

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.

Other Structures 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 2017 by AssetVal Pty Ltd.
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 2017 using Rawlinson's Building Price Index.

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 2017 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.

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. Unit prices were externally reviewed and found to be appropriate in 2014. Values have been indexed annually 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.

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

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. Unit prices were externally reviewed and found to be appropriate in 2014. Values have been indexed annually 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 & Cell Construction
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 carrying amount of these assets approximates fair value due to the nature of the items.

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.

(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 – 1/7/15	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**
Purchases (GBV)	1,578	268	3	–	1,849
Disposals (WDV)	(140)	–	–	–	(140)
Depreciation and impairment	(853)	(550)	–	–	(1,403)
Revaluation	–	–	717	724	1,441
Closing balance – 30/6/17	**9,283**	**2,233**	**36,552**	**38,076**	**86,144**

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

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

	Land - Under Roads	Land - Improvements Non Depreciable	Land - Improvements Depreciable	Buildings	Total
Opening balance – 1/7/15	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**
Purchases (GBV)	191	–	3,220	5,828	9,239
Depreciation and impairment	–	–	(1,169)	(4,100)	(5,269)
Revaluation	–	–	–	3,890	3,890
Closing balance – 30/6/17	**463**	**1,795**	**29,144**	**106,448**	**137,850**

(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 – 1/7/15	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**
Purchases (GBV)	391	12,241	3,207	6,545	22,384
Disposals (WDV)	–	(1,124)	(81)	(167)	(1,372)
Depreciation and impairment	(323)	(7,810)	(1,842)	(5,877)	(15,852)
Revaluation	205	39,210	6,400	7,599	53,414
Closing balance – 30/6/17	**5,191**	**422,343**	**171,448**	**216,037**	**815,019**

Albury City Council

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

Note 27. Fair value measurement (continued)

$ '000

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

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

	Sewer	Landfill Rehabilitation	Library Books	Other	Total
Opening balance – 1/7/15	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**
Purchases (GBV)	2,645	–	175	253	3,073
Disposals (WDV)	(231)	–	–	–	(231)
Depreciation and impairment	(4,223)	(111)	(210)	(23)	(4,567)
Revaluation	6,605	–	–	–	6,605
Reduction in Landfill Rehabilitation Provision	–	(265)	–	–	(265)
Closing balance – 30/6/17	**189,066**	**67**	**1,247**	**7,768**	**198,148**

(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.

Albury City Council

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

Note 28. Related party disclosures

$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly. This includes Councillors, the General Manager and Directors.

The aggregate amount of KMP compensation during the finacial year was:

	Actual
Compensation:	**2017**
Short-term benefits	1,526
Post-employment benefits	168
Other long-term benefits	43
Termination benefits	–
Total	**1,737**

b. Other transactions with KMP and their related parties

There were no material transactions with KMP and their related parties during the financial year.
All transactions were conducted on normal arm's length terms.

c. Other related party transactions

There were no material transactions with AlburyCity's joint ventures and associates, as disclosed in Note 19.

Albury City Council

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

Note 30. 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
Audit Office of New South Wales
15/1 Margaret St,
Sydney NSW 2000

Elected members
MAYOR
Kevin Mack

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

Other information
ABN: 90 965 474 349

INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Albury City Council

To the Councillors of Albury City Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 24 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

23 October 2017
SYDNEY

audit office
OF NEW SOUTH WALES

Cr Kevin Mack
Mayor
Albury City Council
PO Box 323
ALBURY NSW 2640

23 October 2017

Dear Cr Mack,

Report on the Conduct of the Audit
for the year ended 30 June 2017
Albury City Council

We have audited the general purpose financial statements of Albury City Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

We did not identify any significant audit issues and observations during our audit of the Council's financial statements.

INCOME STATEMENT

Operating result

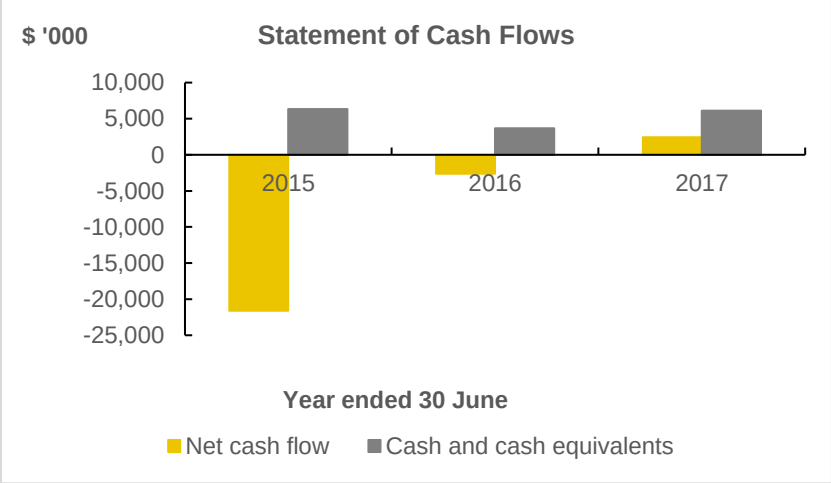
	2017	2016	Variance
	$'000	$'000	%
Rates and annual charges revenue	63,934	62,365	2.5 ↑
Grants and contributions revenue	28,499	24,554	16.1 ↑
Operating result for the year	35,413	30,280	16.9 ↑
Net operating result before capital amounts	19,303	14,845	30.0 ↑

The following comments are made in respect of Council's operating result for the year:

- Council's operating surplus improved from $30.3 million in the previous year to $35.4 million in the current year. This was mainly a result of the Financial Assistance Grant described below. Council budgeted for a surplus of $15.1 million.
- The net operating result before capital contributions was a surplus of $19.3 million against the previous year's surplus of $14.8 million.
- Rates and annual charges have increased by $1.6 million (2.5%). The increase in rate income is in line with the permissible rate increase granted by the Minister for Local Government and movements in rateable properties in the Albury City Council area.
- Grants and contributions provided for operating purposes has increased by $3.3 million (35.9%) to $12.4 million. The increase was largely due to the receipt of advance Financial Assistance Grant of $3.1 million pertaining to the 2017/18 year.
- Council's depreciation and amortisation expense was consistent with prior year increasing by only $0.6 million to $27.1 million for the year ended 30 June 2017.

STATEMENT OF CASH FLOWS

- Council recorded a net increase in cash and cash equivalents of $2.4 million in 2017 compared to a decrease of $2.6 million in the prior year.
- Net cash provided by operating activities amounted to $56.1 million.
- Net cash used in investing activities amounted to $49.8 million. This is largely due to the net cash outflow for the purchase of investment securities of $19.6 million and a net cash outflow of $28.7 million for Infrastructure, Property, Plant and Equipment additions during the year.
- Net cash used in financing activities amounted to $3.9 million representing the repayment of borrowings during current year.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	$'000	$'000	
External restrictions	70,836	54,412	
Internal restrictions	17,998	17,289	
Unrestricted	24,741	19,807	
Cash and investments	**113,575**	**91,508**	

- Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances is predominantly driven by sewerage services ($9.7 million) and water supplies ($5.9 million).
- Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included an extra $3.1 million relating to the Financial Assistance Grant payment received in advance and a reduction in internally restricted cash of $2.7 million in relation to carbon tax.
- Unrestricted cash has increased as a result of Council's net operating surplus for the year.

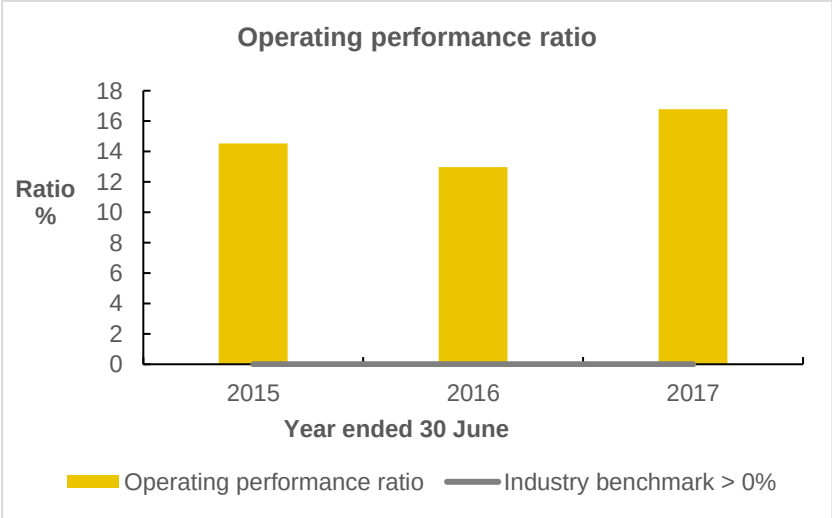
Debt

- The Council had borrowings of $49.1 million as at 30 June 2017 (2016: $53.0 million).

PERFORMANCE RATIOS

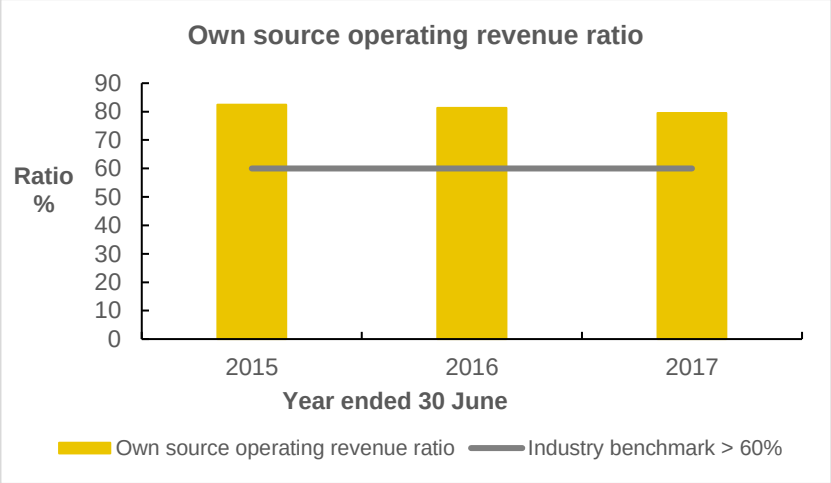
Operating performance ratio

- The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio improved to 16.78% and remained well above the industry benchmark of 0%.
- The operating performance ratio improved this year due to an improvement in Councils other (declared) business activities and Financial Assistance Grant paid in advance for 2017/18.



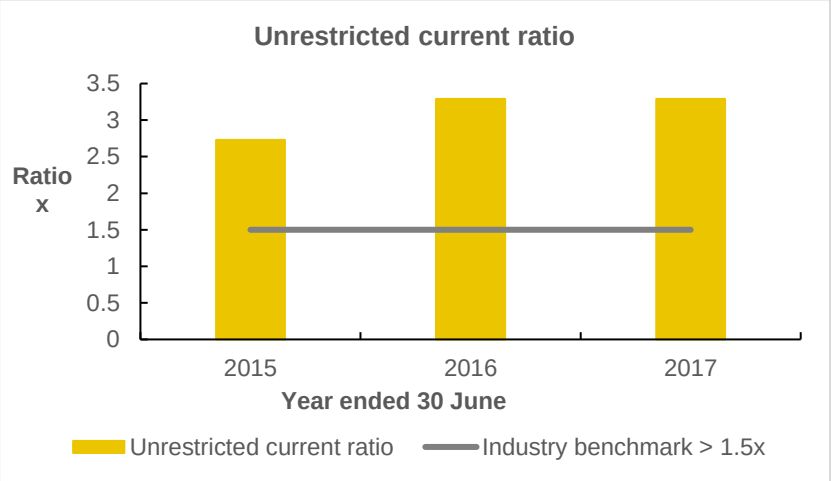
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue ratio declined slightly from 82% to 79.5% due to the receipt of advance Financial Assistance Grant for 2017/18.
- The ratio remained above the industry benchmark of 60%.



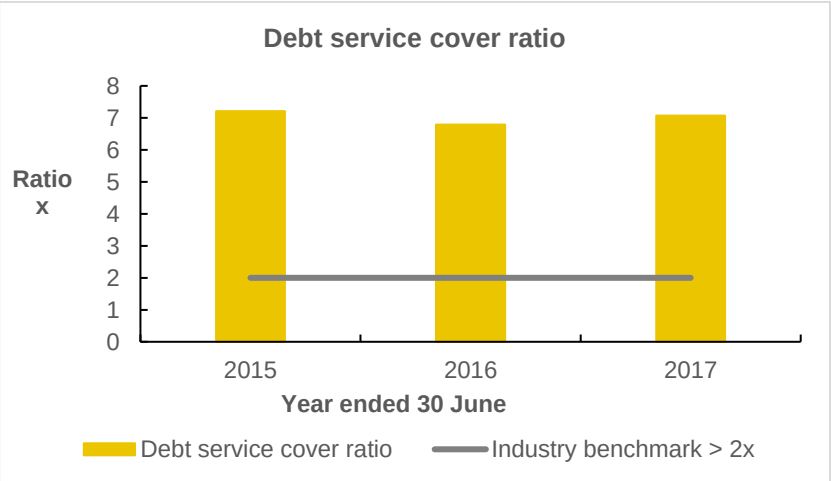
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The liquidity ratio shows consistency in Council's liquidity position compared to the prior year.
- Council continues to report a result well in excess of the 1.5:1 benchmark minimum and has sufficient liquidity to meet its current liabilities when they fall due.



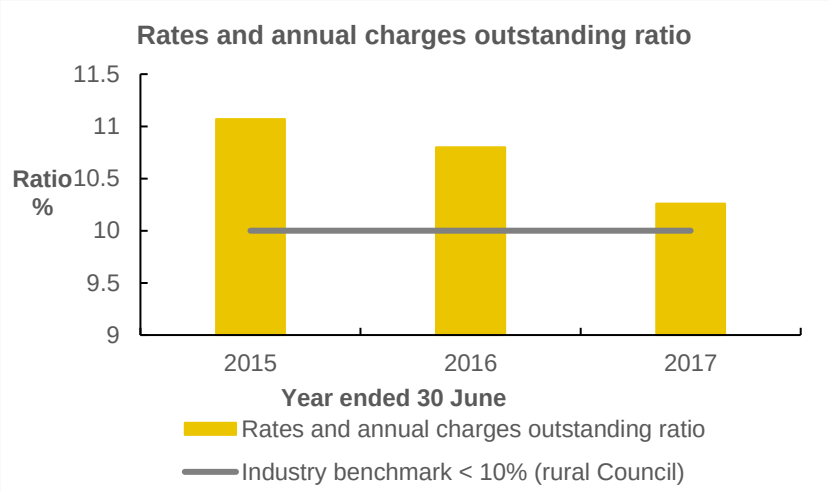
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- This ratio indicates 7.1 times (2016: 6.8 times) Council's operating cash is available to service Council debts.
- Council continues to demonstrate that sufficient cash is being generated from operations to fund loan repayments.



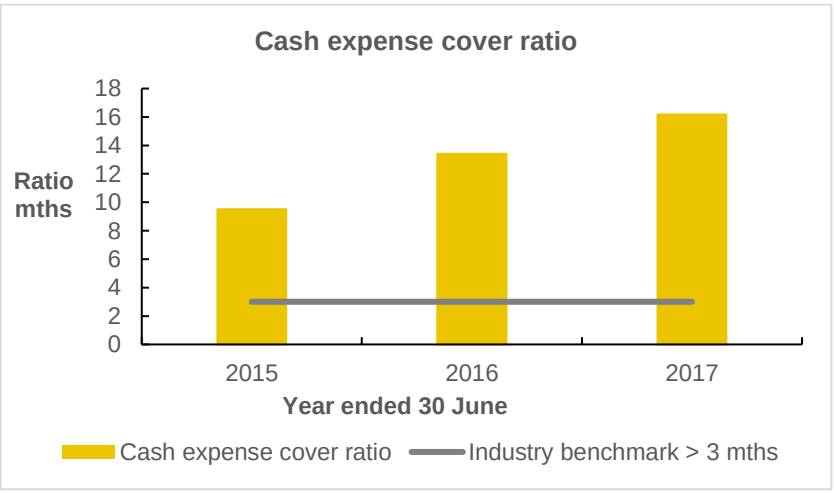
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.
- The outstanding rates percentage has decreased since prior year but is still slightly above the <10% benchmark for rural councils. This ratio is impacted by the timing of the third water bill falling due close to 30 June 2017.



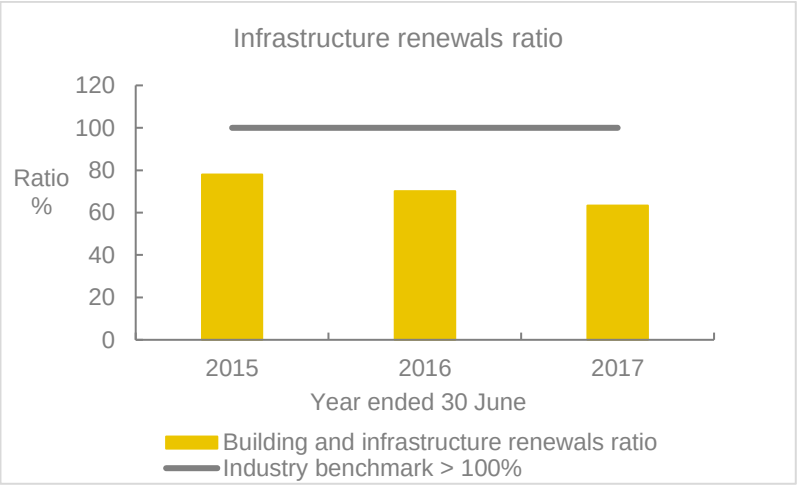
Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- Council has performed comfortably above the benchmark in both the current and prior period, indicating a strong liquidity position of Council.



Infrastructure renewals ratio

- The 'infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio has been steadily decreasing since 2015.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

23 October 2017
SYDNEY

CC: Mr Frank Zaknich, General Manager
Mr Justin Finlayson, Chief Financial Officer
Mr Leo O'Reilly, Audit, Risk and Improvement Committee Chair