

Albury City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Albury City Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

553 Kiewa Street
Albury NSW 2640

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

Albury City Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

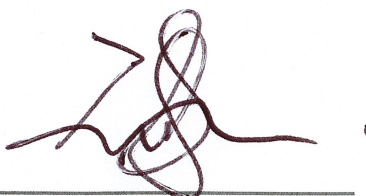
Signed in accordance with a resolution of Council made on 29 October 2018.



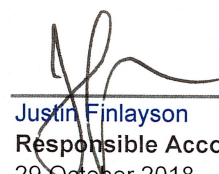
Kevin Mack
Mayor
29 October 2018



Amanda Cohn
Councillor
29 October 2018



Frank Zaknich
General Manager
29 October 2018



Justin Finlayson
Responsible Accounting Officer
29 October 2018

Albury City Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
64,705	Rates and annual charges	3a	65,384	63,927
38,301	User charges and fees	3b	41,391	38,520
2,677	Interest and investment revenue	3c	3,655	3,271
4,567	Other revenues	3d	5,321	4,819
8,820	Grants and contributions provided for operating purposes	3e,f	9,436	12,389
7,442	Grants and contributions provided for capital purposes	3e,f	20,459	16,110
Other income:				
135	Net gains from the disposal of assets	5	—	—
126,647	Total income from continuing operations		145,646	139,036
Expenses from continuing operations				
36,712	Employee benefits and on-costs	4a	36,716	35,554
3,336	Borrowing costs	4b	2,990	3,223
29,569	Materials and contracts	4c	26,952	24,816
27,863	Depreciation and amortisation	4d	28,152	27,091
11,922	Other expenses	4e	11,384	11,588
—	Net losses from the disposal of assets	5	278	1,334
—	Net share of interests in joint ventures and associates using the equity method	15	6	17
109,402	Total expenses from continuing operations		106,478	103,623
17,245	Net operating result for the year		39,168	35,413
Net operating result for the year before grants and contributions provided for capital purposes				
9,803			18,709	19,303

Albury City Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		39,168	35,413
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	9a	34,228	65,351
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Water licence market adjustment		262	713
Total other comprehensive income for the year		34,490	66,064
Total comprehensive income for the year		73,658	101,477

Albury City Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	5,941	6,096
Investments	6b	89,644	103,728
Receivables	7	22,323	24,409
Inventories	8	8,592	6,617
Other	8	465	299
Total current assets		126,965	141,149
Non-current assets			
Investments	6b	36,500	3,751
Infrastructure, property, plant and equipment	9	1,307,472	1,247,698
Investments accounted for using the equity method	15	188	290
Intangible assets	10	2,625	2,363
Total non-current assets		1,346,785	1,254,102
TOTAL ASSETS		1,473,750	1,395,251
LIABILITIES			
Current liabilities			
Payables	11	12,385	9,707
Income received in advance	11	1,994	1,906
Borrowings	11	3,816	3,943
Provisions	12	9,987	9,659
Total current liabilities		28,182	25,215
Non-current liabilities			
Borrowings	11	44,773	45,119
Provisions	12	5,497	3,277
Total non-current liabilities		50,270	48,396
TOTAL LIABILITIES		78,452	73,611
Net assets		1,395,298	1,321,640
EQUITY			
Accumulated surplus		786,769	747,601
Revaluation reserves	13	608,529	574,039
Total equity		1,395,298	1,321,640

Albury City Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Other	Total equity	2017	IPP&E	Other	Total equity
		Accumulated surplus	revaluation reserve	reserves		Accumulated surplus	revaluation reserve	reserves	
Opening balance		747,601	574,039	–	1,321,640	712,188	507,975	–	1,220,163
Net operating result for the year		39,168	–	–	39,168	35,413	–	–	35,413
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	9a		34,228		34,228	–	65,351	–	65,351
– Water licence market adjustment			262		262	–	713	–	713
Total other comprehensive income		–	34,490	–	34,490	–	66,064	–	66,064
Total comprehensive income		39,168	34,490	–	73,658	35,413	66,064	–	101,477
Closing balance		786,769	608,529	–	1,395,298	747,601	574,039	–	1,321,640

This statement should be read in conjunction with the accompanying notes.

Albury City Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
64,696	Rates and annual charges		64,978	64,094
38,205	User charges and fees		42,479	41,997
2,558	Investment and interest revenue received		3,442	2,271
16,254	Grants and contributions		21,790	20,804
–	Bonds, deposits and retention amounts received		1,774	–
5,263	Other		8,454	7,255
Payments:				
(36,691)	Employee benefits and on-costs		(36,897)	(36,585)
(29,921)	Materials and contracts		(30,344)	(26,791)
(3,244)	Borrowing costs		(2,943)	(3,173)
–	Deposits and retentions refunded		–	(59)
(12,665)	Other		(10,992)	(13,665)
44,455	Net cash provided (or used in) operating activities	14a	61,741	56,148
Cash flows from investing activities				
Receipts:				
1,650	Sale of real estate assets		275	250
389	Sale of infrastructure, property, plant and equipment		550	194
209	Distributions from joint ventures		101	187
Payments:				
–	Purchase of investments		(18,665)	(19,619)
(48,689)	Purchase of infrastructure, property, plant and equipment		(41,451)	(28,720)
–	Purchase of real estate assets		(2,228)	(2,037)
–	Contributions paid to joint ventures		(5)	(6)
(46,441)	Net cash provided (or used in) investing activities		(61,423)	(49,751)
Cash flows from financing activities				
Receipts:				
5,000	Borrowings		3,500	–
Payments:				
(4,245)	Borrowings		(3,973)	(3,977)
755	Net cash flow provided (used in) financing activities		(473)	(3,977)
(1,231)	Net increase/(decrease) in cash and cash equivalents		(155)	2,420
26,968	Cash and cash equivalents – beginning of year	14a	6,096	3,676
25,737	Cash and cash equivalents – end of the year	14a	5,941	6,096

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2018.

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

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.

Basis of preparation

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

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

(a) New and amended standards adopted by Council

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

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of real estate assets held for sale – refer Note 8,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated fair value of intangible assets (water licence) – refer Note 10,
- (iv) estimated landfill remediation provisions – refer Note 12,
- (v) employee benefit provisions – refer Note 12.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

(v) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

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

Goods and Services Tax (GST)

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

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 ended 30 June 2018.

Council has not applied any pronouncements before their operative date in the current reporting period beginning 1 July 2017.

Council's assessment of the impact of the new standards and interpretations is set out below.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The standard is not expected to have a material impact on AlburyCity's future financial statements.

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

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

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

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

Based on assessments to date, these standards may affect the timing of the recognition of some grants. However, the standards are not expected to have a material impact on AlburyCity's overall financial position, financial performance or cashflows.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position. These include lease of property utilised by Council and various technological hardware, such as computers and printer/photocopiers.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Operating lease expenses will decrease and interest and depreciation expense will increase.

The standard is not expected to have a material impact on AlburyCity's future financial statements.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(a). Council activities – financial information

Activities	Income, expenses and assets have been directly attributed to the following activities. Details of these activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
A Growing Sustainable Economy	72,269	67,492	63,641	62,002	8,628	5,490	7,420	4,993	1,261,070	1,184,105
An Enhanced Natural Environment	17,144	15,930	15,353	15,153	1,791	777	303	597	18,393	16,410
A Caring Community	9,981	8,362	22,270	21,059	(12,289)	(12,697)	2,833	1,109	132,577	125,072
A Leading Community	46,252	47,252	5,214	5,409	41,038	41,843	5,441	7,391	61,710	69,664
Total functions and activities	145,646	139,036	106,478	103,623	39,168	35,413	15,997	14,090	1,473,750	1,395,251

Albury City Council

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

Note 2(b). Council activities – component descriptions

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

A Growing Sustainable Economy

- Increase visitors to Albury and the surrounding region
- Improve visitor and residents' experiences
- Plan and cater for increased population growth
- Albury has a secure and well managed water supply
- Promote Albury for industry and business
- Integrated transport network for Albury
- Increase usage of bicycle and pedestrian networks
- Albury's infrastructure and assets are well managed and maintained

An Enhanced Natural Environment

- Albury has improved environmental outcomes
- Albury is prepared for changing environmental conditions
- An increased awareness in sustainability and environmental issues

A Caring Community

- Albury offers access to a diverse range of educational opportunities
- Albury's key community safety indicators continuously improve
- The health and wellbeing of the Albury community improves
- Albury offers a diverse and accessible range of facilities and activities for all ages
- Improved health, employment and education for the Aboriginal community in Albury
- The improved settlement of people from diverse cultures
- Increased participation in a diverse range of art and cultural activities in Albury

A Leading Community

- The community is consulted on all major changes that will affect them
- Regional issues are addressed through an integrated approach
- The Albury community provides resources and opportunities to develop future leaders
- Albury plans and leads with good governance

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	28,517	27,722
Farmland	621	554
Business	10,189	10,006
Pensioner rebates (statutory)	(708)	(744)
Early payment discount (Council policy)	(132)	(121)
Total ordinary rates	38,487	37,417
Special rates		
Parking	494	488
Promotional levy	148	146
Total special rates	642	634
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	5,937	5,855
Stormwater management services	206	182
Water supply services	3,991	3,939
Sewerage services	17,089	16,844
Pensioner rebates (statutory)	(759)	(754)
Pensioner rebates (Council policy)	(190)	(174)
Early payment discount (Council policy)	(19)	(16)
Total annual charges	26,255	25,876
TOTAL RATES AND ANNUAL CHARGES	65,384	63,927

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

Accounting policy for rates and annual charges

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

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

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	11,988	11,035
Sewerage services	3,266	2,955
Drainage services	572	544
Waste management services (non-domestic)	10,042	8,652
Total specific user charges	25,868	23,186
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	1,683	1,710
Private works – section 67	467	285
Section 603 certificates	147	141
Total fees and charges – statutory/regulatory	2,297	2,136
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	6,316	6,222
Cemeteries	921	909
Child care	2,746	2,488
Community centres	1,149	1,277
Fire and emergency services levy (FESL) implementation	2	122
Leaseback fees – Council vehicles	248	220
Sporting ground fees	82	120
Water sales and charges	595	720
Other	1,167	1,120
Total fees and charges – other	13,226	13,198
TOTAL USER CHARGES AND FEES	41,391	38,520

Accounting policy for user charges and fees

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

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue		
Interest		
– Overdue rates and annual charges	113	123
– Cash and investments	3,542	3,120
– Other	–	28
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>3,655</u>	<u>3,271</u>

Accounting policy for interest and investment revenue

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

(d) Other revenues

Rental income – other council properties	943	1,013
Fines – parking	397	262
Fines – other	37	28
Legal fees recovery – rates and charges	191	278
Albury Entertainment Centre catering	860	810
Children's services	1,172	991
Sales – general	1,483	1,243
Workers compensation	238	194
<u>TOTAL OTHER REVENUE</u>	<u>5,321</u>	<u>4,819</u>

Accounting policy for other revenue

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

Parking fines are recognised as revenue when the penalty has been applied.

Sales - general, are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

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

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,472	4,669	–	–
Financial assistance – local roads component	684	1,282	–	–
Future year allocation – received in advance				
Financial assistance – general component	2,535	2,414	–	–
Financial assistance – local roads component	697	660	–	–
Other				
Pensioners' rates subsidies – general component	478	483	–	–
Total general purpose	6,866	9,508	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	162	164	–	–
– Sewerage	160	162	–	–
Community centres	68	311	–	–
Employment and training programs	81	48	–	–
Heritage and cultural	519	108	1,949	356
Local infrastructure replacement scheme subsidy	64	71	–	–
Street lighting	180	177	–	–
Transport	102	589	4,324	1,567
Other	751	490	771	539
Total specific purpose	2,087	2,120	7,044	2,462
Total grants	8,953	11,628	7,044	2,462
Grant revenue is attributable to:				
– Commonwealth funding	6,761	9,416	805	–
– State funding	2,192	2,166	6,188	–
– Other funding	–	46	51	2,462
	8,953	11,628	7,044	2,462

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	1,795	1,399
S 7.12 – fixed development consent levies		–	–	289	487
S 64 – water supply contributions		–	–	1,167	1,074
S 64 – sewerage service contributions		–	–	1,673	1,772
Total developer contributions		–	–	4,924	4,732
Other contributions:					
Cash contributions					
RMS contributions		483	470	–	–
Philanthropy MAMA		–	–	253	197
Other		–	291	–	–
Total other contributions – cash		483	761	253	197
Non-cash contributions					
Donated artwork		–	–	90	201
Asset dedications (General Fund)		–	–	6,681	6,449
Asset dedications (Water Fund)		–	–	631	746
Asset dedications (Sewer Fund)		–	–	836	1,323
Total other contributions – non-cash		–	–	8,238	8,719
Total other contributions		483	761	8,491	8,916
Total contributions		483	761	13,415	13,648
TOTAL GRANTS AND CONTRIBUTIONS		9,436	12,389	20,459	16,110

Accounting policy for contributions

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

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

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.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	682	454
Operating grants recognised in the current period but not yet spent	134	682
Operating grants received for the provision of goods and services in a future period	204	–
Operating grants recognised in a previous reporting period now spent	(641)	(454)
Unexpended and held as restricted assets (operating grants)	379	682
Capital grants		
Unexpended at the close of the previous reporting period	–	–
Capital grants recognised in the current period but not yet spent	216	–
Capital grants received for the provision of goods and services in a future period	261	–
Capital grants recognised in a previous reporting period now spent	–	–
Unexpended and held as restricted assets (capital grants)	477	–
Contributions		
Unexpended at the close of the previous reporting period	782	531
Contributions recognised in the current period but not yet spent	1,027	370
Contributions received for the provision of goods and services in a future period	–	–
Contributions recognised in a previous reporting period now spent	(981)	(119)
Unexpended and held as restricted assets (contributions)	828	782

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	31,214	29,899
Employee leave entitlements	3,528	3,308
Superannuation	3,672	3,651
Workers' compensation insurance	407	485
Fringe benefit tax	229	202
Payroll tax	207	210
Total employee costs	39,257	37,755
Less: capitalised costs	(2,541)	(2,201)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>36,716</u>	<u>35,554</u>

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
Interest on loans		2,943	3,173
Amortisation of rehabilitation provision discount		47	50
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>2,990</u>	<u>3,223</u>

Accounting policy for borrowing costs

Borrowing costs are expensed when incurred.

(c) Materials and contracts

Raw materials and consumables	15,142	13,978
Contractor and consultancy costs	9,920	9,271
Auditors remuneration ⁽¹⁾	90	84
Legal expenses:		
– Planning and development	82	39
– Other	145	140
Operating leases:		
– Computers	331	350
– Other	48	70
Internal audit	58	47
Other	1,136	837
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>26,952</u>	<u>24,816</u>

Accounting policy for operating leases

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

Albury City Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
1. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	83	83
Total Auditor-General remuneration	83	83
Auditors of the Council – Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	5	1
Total remuneration for audit and other assurance services	5	1
(ii) Non-assurance services		
Other services (Training)	2	–
Total remuneration for non-assurance services	2	–
Total remuneration of non NSW Auditor-General audit firms	7	1
Total Auditor remuneration	90	84

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Depreciation and amortisation		
Depreciation and amortisation		
Plant and equipment	890	853
Office equipment	299	387
Furniture and fittings	163	163
Land improvements	1,255	1,169
Infrastructure:		
– Buildings	4,404	4,100
– Other structures	358	323
– Roads, bridges and footpaths	8,118	7,810
– Stormwater drainage	1,938	1,842
– Water supply network	6,140	5,877
– Sewerage network	4,292	4,223
Other assets:		
– Library books	228	210
– Other	25	23
Landfill rehabilitation and cell assets	42	111
Total depreciation and amortisation costs	28,152	27,091
TOTAL DEPRECIATION AND AMORTISATION	28,152	27,091

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

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

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.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(e) Other expenses		
Advertising	214	350
Bad and doubtful debts	347	25
Conferences and seminars	148	105
Contributions/levies to other levels of government		
– NSW fire brigade levy	500	453
– NSW rural fire service levy	181	209
– Other contributions/levies	–	51
Councillor expenses – mayoral fee	42	43
Councillor expenses – councillors' fees	174	164
Councillors' expenses (incl. mayor) – other (excluding fees above)	28	26
Donations, contributions and assistance to other organisations (Section 356)	903	835
Election expenses	65	70
Electricity and heating	3,790	3,548
Electricity - street lighting	1,461	1,322
Equipment purchases	457	507
Insurance	1,137	1,216
Marketing	667	489
Refund of carbon tax	–	665
Rent and hire charges	320	291
Travel Expenses	152	106
Training Costs	603	643
Other	195	470
<u>TOTAL OTHER EXPENSES</u>	<u>11,384</u>	<u>11,588</u>

Accounting policy for other expenses

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

Doubtful debts are included to recognise the possibility that some debtors will not meet their obligations. Bad debts are recorded when all avenues for recovery have been completely exhausted and the outstanding debt is considered to be non-recoverable.

Albury City Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	9		
Proceeds from disposal – plant and equipment		550	194
Less: carrying amount of plant and equipment assets sold/written off		(373)	(141)
Net gain/(loss) on disposal		177	53
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets written off		(576)	(1,602)
Net gain/(loss) on disposal		(576)	(1,602)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		275	250
Less: carrying amount of real estate assets sold		(154)	(35)
Net gain/(loss) on disposal		121	215
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(278)	(1,334)

Accounting policy for disposal of assets

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

Albury City Council

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	1,503	2,027
Deposits at call	4,438	4,069
Total cash and cash equivalents	5,941	6,096

Accounting policy for cash and cash equivalents

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

Albury City Council

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

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
Held to maturity term deposits	89,644	36,500	103,728	3,751
Total investments	89,644	36,500	103,728	3,751
<u>TOTAL CASH, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>95,585</u>	<u>36,500</u>	<u>109,824</u>	<u>3,751</u>

Accounting policy for investments**Classification**

Council (in accordance with AASB 139) classifies each of its investments for measurement purposes as held to maturity investments. Management determines the classification of its investments at initial recognition.

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

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	95,585	36,500	109,824	3,751
Attributable to:				
External restrictions (refer below)	53,284	36,500	67,085	3,751
Internal restrictions (refer below)	24,669	–	17,998	–
Unrestricted	17,632	–	24,741	–
	95,585	36,500	109,824	3,751
\$ '000			2018	2017
Details of restrictions				
Developer contributions – general fund			828	782
Specific purpose unexpended grants			397	682
Water supplies			38,994	30,192
Sewerage services			47,214	37,183
Domestic waste management			2,351	1,997
Total external restrictions			89,784	70,836
Internal restrictions				
Employees leave entitlement			2,278	2,290
Carry over projects (net of loans not taken up)			10,169	6,631
Deposits, retentions and bonds			3,426	1,654
Financial assistance grant received in advance			3,231	3,060
Prepaid burial contributions			1,743	1,551
Elections			122	57
Landfill rehabilitation			3,046	2,462
Tabletop community centre			4	4
Community Fund			199	103
MAMA philanthropy			450	186
Total internal restrictions			24,669	17,998
TOTAL RESTRICTIONS			114,453	88,834

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	7,778	—	7,372	—
User charges and fees	11,239	—	9,040	—
Accrued revenues				
– Interest on investments	1,757	—	1,544	—
– Other income accruals	25	—	276	—
Government grants and subsidies	1,151	—	311	—
Multi deck carpark	—	—	5,220	—
Other debtors	822	—	816	—
Total	22,772	—	24,579	—
Less: provision for impairment				
User charges and fees	(449)	—	(170)	—
Total provision for impairment	(449)	—	(170)	—
<u>TOTAL NET RECEIVABLES</u>	<u>22,323</u>	<u>—</u>	<u>24,409</u>	<u>—</u>

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Receivables are generally due for settlement within 30 days.

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

Impairment

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

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

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

Albury City Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer to (i) below)	7,870	–	5,796	–
Stores and materials	722	–	821	–
Total inventories at cost	8,592	–	6,617	–
<u>TOTAL INVENTORIES</u>	<u>8,592</u>	<u>–</u>	<u>6,617</u>	<u>–</u>
(b) Other assets				
Prepayments	465	–	299	–
<u>TOTAL OTHER ASSETS</u>	<u>465</u>	<u>–</u>	<u>299</u>	<u>–</u>

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		625	–	636	–
Industrial/commercial		7,245	–	5,160	–
Total real estate for resale		7,870	–	5,796	–
Represented by:					
Acquisition costs		3,092	–	3,116	–
Development costs		4,778	–	2,680	–
Total costs		7,870	–	5,796	–
Total real estate for resale		7,870	–	5,796	–

(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;

	2018	2017
Real estate for resale	7,595	4,503
	7,595	4,503

Accounting policy**Real estate 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.

Stores and materials

Stores, materials are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Albury City Council

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

Note 9. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
				Renewals	New assets	Carrying value of disposals	Depreciation	WIP transfers	Adjustments and transfers	Revaluation increments			
\$ '000	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount								Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	10,536	–	10,536	5,842	6,951	–	–	(5,445)	–	–	17,884	–	17,884
Plant and equipment	21,645	12,362	9,283	2,200	1,286	(373)	(890)	–	–	–	22,812	11,306	11,506
Office equipment	6,475	5,318	1,157	430	–	–	(299)	50	–	–	6,956	5,618	1,338
Furniture and fittings	4,330	3,254	1,076	–	–	–	(163)	–	–	–	4,330	3,417	913
Land:													
– Operational land	36,552	–	36,552	–	–	–	–	–	–	731	37,283	–	37,283
– Community land	38,076	–	38,076	–	155	–	–	–	–	762	38,993	–	38,993
– Land under roads (post 30/6/08)	463	–	463	–	60	–	–	–	–	–	523	–	523
Land improvements – non-depreciable	1,795	–	1,795	–	–	–	–	–	–	–	1,795	–	1,795
Land improvements – depreciable	42,669	13,525	29,144	143	144	–	(1,255)	1,369	–	–	44,323	14,778	29,545
Infrastructure:													
– Buildings	223,358	116,910	106,448	1,428	4,771	(20)	(4,404)	1,237	–	3,095	237,411	124,856	112,555
– Other structures	10,021	4,830	5,191	193	1,776	–	(358)	132	–	161	12,415	5,320	7,095
– Roads, bridges and footpaths	632,002	209,659	422,343	8,708	9,601	(248)	(8,118)	1,568	368	11,393	667,718	222,103	445,615
– Stormwater drainage	225,666	54,218	171,448	936	1,762	(103)	(1,938)	519	–	5,429	235,674	57,621	178,053
– Water supply network	429,678	213,640	216,038	2,407	437	(163)	(6,140)	286	–	5,833	444,004	225,306	218,698
– Sewerage network	352,602	163,536	189,066	1,356	597	(41)	(4,292)	284	–	6,824	364,791	170,997	193,794
Other assets:													
– Library books	2,916	1,669	1,247	–	186	–	(228)	–	–	–	3,102	1,897	1,205
– Other	8,010	242	7,768	–	216	–	(25)	–	–	–	8,228	269	7,959
Landfill rehabilitation and cell assets	1,103	1,036	67	–	–	–	(42)	–	2,693	–	3,718	1,000	2,718
TOTAL IPP&E	2,047,897	800,199	1,247,698	23,643	27,942	(948)	(28,152)	–	3,061	34,228	2,151,960	844,488	1,307,472

Albury City Council

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

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Roads, bridges, footpaths, stormwater drainage, water and sewerage network assets are indexed at each reporting period in accordance with the Rawlinson's Construction Handbook.

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

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

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

Plant and equipment	Years	Buildings	Years
Plant & equipment	3 to 25	Buildings	20 to 80
Office equipment	4 to 10		
Furniture & fittings	10		
Water and sewer assets		Stormwater drainage	
Water supply network	20 to 120	Stormwater drainage	100 to 120
Sewerage network	20 to 100		
Transportation assets		Other infrastructure assets	
Roads, bridges & footpaths	15 to 240	Land improvements	34
		Library books	10
		Other assets	5 to 20
		Other structures	10 to 40

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.

Land under roads

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

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

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

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

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council has recognised Rural Fire Service assets that it controls (being land and buildings). Rural Fire Service plant and equipment have not been accounted for as AlburyCity assets.

Albury City Council

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

Note 10. Intangible assets

\$ '000	2018	2017
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Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are as follows:

Opening gross book value	2,363	1,650
Movements for the year		
– Other capitalised costs (market adjustment)	262	713
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>2,625</u>	<u>2,363</u>

The net book value of intangible assets represent:

– water licence (water fund)	2,380	2,142
– water licence (general fund)	245	221
	<u>2,625</u>	<u>2,363</u>

Accounting policy for 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.

Albury City Council

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

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services	4,913	–	5,692	–
Accrued expenses	4,050	–	2,367	–
Bonds, deposits and retentions	3,422	–	1,648	–
Total payables	12,385	–	9,707	–
Income received in advance				
Prepaid Burials	1,743	–	1,551	–
Other	251	–	355	–
Total income received in advance	1,994	–	1,906	–
Borrowings				
Loans – secured	3,816	44,773	3,943	45,119
Total borrowings	3,816	44,773	3,943	45,119
TOTAL PAYABLES AND BORROWINGS	18,195	44,773	15,556	45,119

Albury City Council

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

Note 11. Payables and borrowings (continued)

\$ '000						2018	2017
(a) Changes in liabilities arising from financing activities							
Class of borrowings	2017 Opening balance as at 1/7/17	Cash flows	Acquisition	Non-cash changes Fair value changes	Other non-cash movements	2018 Closing balance as at 30/6/18	
Loans – secured	49,062	(3,973)	3,500	–	–	48,589	
TOTAL	49,062	(3,973)	3,500	–	–	48,589	

\$ '000	2018	2017
(b) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit		
Total facilities available at the reporting date:		
Bank overdraft facilities	1,000	1,000
Corporate credit cards	2,000	300
Total financing arrangements	3,000	1,300
Drawn facilities at the reporting date:		
– Bank overdraft facilities	–	–
– Corporate credit cards	210	–
Total drawn financing arrangements	210	–
Undrawn facilities at the reporting date:		
– Bank overdraft facilities	1,000	1,000
– Corporate credit cards	1,790	300
Total undrawn financing arrangements	2,790	1,300

Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

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.

Albury City Council

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

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Annual leave	3,141	–	3,067	–
Long service leave	6,357	414	6,592	366
Landfill rehabilitation	489	5,083	–	2,911
<u>TOTAL PROVISIONS</u>	<u>9,987</u>	<u>5,497</u>	<u>9,659</u>	<u>3,277</u>

\$ '000	2018	2017
(a) Current provisions not anticipated to be settled within the next twelve months		
Provisions – employees benefits	5,618	5,815
	<u>5,618</u>	<u>5,815</u>

Albury City Council

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

Note 12. Provisions (continued)

\$ '000

(b) Description of and movements in provisions

2018	Landfill rehabilitation
At beginning of year	2,911
Changes to provision:	
– New disturbances to tip	1,770
– Revised costs	582
– Revised life	214
– Revised discount rate	51
– Revised inflation rate	(3)
Unwinding of discount	47
Total other provisions at	5,572

Accounting policy for provisions

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

Employee benefits**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period 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.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period 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.

Albury City Council

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

Note 12. Provisions (continued)

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.

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 and disclosed in Note 9.

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

Albury City Council

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

Note 13. Revaluation Reserves

(a) 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 licences due to their revaluation.

Albury City Council

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

Note 14. Statement of cash flows information

\$ '000	Notes	2018	2017
(a) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		39,168	35,413
Adjust for non-cash items:			
Depreciation and amortisation		28,152	27,091
Losses/(gains) on disposal of assets		278	1,334
Non-cash capital grants and contributions		(8,238)	(8,720)
Fair value re-measurement of investments classified as 'at fair value'		–	(28)
Water licence market adjustment		262	713
Unwinding landfill rehabilitation provision discount rate		47	50
Share of net (profits) or losses of joint ventures		6	17
Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(3,413)	(486)
Increase/(decrease) in provision for doubtful debts		279	20
Decrease/(increase) in inventories		99	(114)
Decrease/(increase) in other assets		(166)	112
Increase/(decrease) in payables		(779)	772
Increase/(decrease) in other accrued expenses payable		1,683	497
Increase/(decrease) in other liabilities		1,862	(42)
Increase/(decrease) in employee leave entitlements		(113)	(216)
Increase/(decrease) in other provisions		2,614	(265)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		61,741	56,148
(b) Non-cash investing and financing activities			
Developer contributions 'in kind' (General Fund)		6,681	6,450
Developer contributions 'in kind' (Water Fund)		631	746
Developer contributions 'in kind' (Sewer Fund)		836	1,323
Other dedications		90	201
Total non-cash investing and financing activities		8,238	8,720

Albury City Council

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

Note 15. Interests in other entities

\$ '000

(i) Joint ventures**(a) Summarised financial information for individually immaterial joint ventures**

Council has an interest in the Thurgoona Industrial Estate joint venture, which is not considered individually material.

The table below summarises the financial information of this immaterial joint venture.

	2018	2017
Carrying amount of individually immaterial joint venture	188	290
Council's share in profit/(loss) from individually immaterial joint venture	(6)	(17)

(ii) Associates**(a) Summarised financial information for individually immaterial associates**

Council has an interest in the Wonga Wetlands Conservation Association, which is not considered individually material.

The table below summarises the financial information of this immaterial joint venture.

	2018	2017
Carrying amount of individually immaterial associate	1	3
Council's share in profit/(loss) from individually immaterial associate	(1)	(1)

Albury City Council

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

Note 16. Commitments

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Purchase Orders - Capital Fleet Purchases	—	508
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	—	66
Kerr Rd Reconstruction Stage 4	707	—
Two pedestrian Bridges Table Top Road	190	—
WWTP Waste Water Inlet Screening Replacement	340	—
Nexus Electrical Stage 3 HV Overhead & Street Lighting	244	—
Total commitments	1,481	6,126
These expenditures are payable as follows:		
Within the next year	1,481	6,126
Later than one year and not later than 5 years	—	—
Later than 5 years	—	—
Total payable	1,481	6,126
(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	273	169
Later than one year and not later than 5 years	680	462
Total non-cancellable operating lease commitments	953	631

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 2018

Note 17. Contingencies

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

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

Albury City Council

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

Note 17. Contingencies (continued)

LIABILITIES NOT RECOGNISED (continued):

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

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

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$801,397.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$782,790.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 1.14% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

Albury City Council

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

Note 17. Contingencies (continued)

LIABILITIES NOT RECOGNISED (continued):

(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.

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.

Albury City Council

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

Note 17. Contingencies (continued)

LIABILITIES NOT RECOGNISED (continued):

Best estimates suggest that the Albury Landfill site has a residual life of approximately 30 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.

(ii) S7 plans

Council levies section 7 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 restrictions imposed by Council

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

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

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

Albury City Council

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

Note 17. Contingencies (continued)

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 market 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 2018

Note 18. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk.

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

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

Financial risk management is carried out in accordance with policies approved by the Council.

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

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 Ministerial Investment Order. This policy is regularly reviewed by Council and a monthly Investment Balances Report is provided to Council setting out the make-up and performance of the portfolio.

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

The risks associated with the investments held are:

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

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments within its adopted credit risk framework.

(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 rates		Decrease of rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	1,321	1,321	(1,321)	(1,321)
2017				
Possible impact of a 1% movement in interest rates	1,136	1,136	(1,136)	(1,136)

Albury City Council

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

Note 18. 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. The level of outstanding receivables is monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required.

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

The profile of Council's receivables credit risk at reporting date was:

	2018	2017
Rates and annual charges		
Current (not yet overdue)	7,319	6,901
Overdue	459	471
	7,778	7,372
Other receivables		
Current (not yet overdue)	12,989	16,272
0 – 30 days overdue	738	262
31 – 60 days overdue	84	66
61 – 90 days overdue	171	61
> 91 days overdue	1,012	546
	14,994	17,207

Albury City Council

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

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

The contractual undiscounted cash flows of Council's payables and borrowings and related interest rates are set out in the maturity table below:

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	Payable in:		Total cash outflows
				1 – 5 Years	> 5 Years	
2018						
Payables		3,422	8,963	-	-	12,385
Borrowings	6.0%	-	3,813	13,326	31,447	48,586
Total financial liabilities		3,422	12,776	13,326	31,447	60,971
2017						
Payables		1,648	8,059	-	-	9,707
Borrowings	6.2%	-	3,943	13,137	31,982	49,062
Total financial liabilities		1,648	12,002	13,137	31,982	58,769

Albury City Council

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

Note 19. Material budget variations

\$ '000

Council's original financial budget for the 2017/18 financial year was adopted by the Council on 13 June 2017 and is not required to be audited.

Material budget variations of more than 10% within the income statement are explained below.

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
REVENUES					
Rates and annual charges	64,705	65,384	679	1%	F
User charges and fees	38,301	41,391	3,090	8%	F
Interest and investment revenue	2,677	3,655	978	37%	F
Additional interest revenue was received as the amount of funds available to invest was more than budgeted.					
Other revenues	4,567	5,321	754	17%	F
Other revenue was more than budget due to additional income regarding childcare, catering, events and workers compensation rebates.					
Operating grants and contributions	8,820	9,436	616	7%	F
Capital grants and contributions	7,442	20,459	13,017	175%	F
Non-cash asset dedications of \$8.1 million were recognised which were not budgeted for as the amount is difficult to predict. Developer cash contributions received were \$2.5 million more than budget as development activity was more than budgeted.					
Net gains from disposal of assets	135	—	(135)	(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 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	36,712	36,716	(4)	(0%)	U
Borrowing costs	3,336	2,990	346	10%	F
Borrowing costs were less than budgeted due to the timing of the draw down of new loans.					
Materials and contracts	29,569	26,952	2,617	9%	F
Depreciation and amortisation	27,863	28,152	(289)	(1%)	U
Other expenses	11,922	11,384	538	5%	F
Net losses from disposal of assets	—	278	(278)	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.					

Albury City Council

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

Note 20. 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			
		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
- Plant and equipment	Various	–	–	11,506	11,506
- Office equipment, furniture & fittings	Various	–	–	2,251	2,251
- Land – operational	30/06/18	–	–	37,283	37,283
- Land – community	30/06/18	–	–	38,993	38,993
- Land under roads	30/06/18	–	–	524	524
- Land improvements - non depreciable	30/06/18	–	–	1,795	1,795
- Land improvements - depreciable	30/06/18	–	–	29,545	29,545
- Buildings	30/06/18	–	–	112,555	112,555
- Other structures	30/06/18	–	–	7,095	7,095
- Roads, bridges and footpaths	30/06/18	–	–	445,616	445,616
- Stormwater drainage	30/06/18	–	–	178,053	178,053
- Water supply networks	30/06/18	–	–	218,698	218,698
- Sewerage network	30/06/18	–	–	193,794	193,794
- Landfill rehabilitation and cell assets	30/06/18	–	–	2,718	2,718
- Library books	Various	–	–	1,205	1,205
- Other	Various	–	–	7,959	7,959
Total infrastructure, property, plant and equipment		–	–	1,289,590	1,289,590
Intangible assets					
Water Licence	30/06/18	2,625	–	–	2,625
Total intangible assets		2,625	–	–	2,625

Albury City Council

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

Note 20. Fair value measurement (continued)

\$ '000

2017		Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkt	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
- Plant and 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
- Roads, bridges and footpaths	30/06/17	—	—	422,343	422,343
- Stormwater drainage	30/06/17	—	—	171,448	171,448
- Water supply networks	30/06/17	—	—	216,037	216,037
- 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 intangible assets		2,363	—	—	2,363

(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 2018 by AssetVal Pty Ltd.

Albury City Council

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

Note 20. Fair value measurement (continued)

\$ '000

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 reflect fair value.

Land - Community

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

AlburyCity contracted AssetVal Pty Ltd to value Council land as at 30 June 2015. The valuation has been indexed to 2018 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 2018 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.

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 2018 by AssetVal Pty Ltd.

Unobservable Level 3 inputs included 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 2018

Note 20. Fair value measurement (continued)

\$ '000

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 2018 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 2018 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.

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.

Albury City Council

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

Note 20. Fair value measurement (continued)

\$ '000

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 – 1/7/16	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
Purchases (GBV)	3,486	480	–	155	4,121
Disposals (WDV)	(373)	–	–	–	(373)
Depreciation and impairment	(890)	(462)	–	–	(1,352)
Revaluation	–	–	731	762	1,493
Closing balance – 30/6/18	11,506	2,251	37,283	38,993	90,033

Albury City Council

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

Note 20. 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 – 1/7/16	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
Purchases (GBV)	61	–	1,656	7,436	9,153
Disposals (WDV)	–	–	–	(20)	(20)
Depreciation and impairment	–	–	(1,255)	(4,404)	(5,659)
Revaluation	–	–	–	3,095	3,095
Closing balance – 30/6/18	524	1,795	29,545	112,555	144,419

(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 – 1/7/16	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
Purchases (GBV)	2,101	19,878	3,217	3,131	28,327
Disposals (WDV)	–	(248)	(103)	(163)	(514)
Depreciation and impairment	(358)	(8,118)	(1,938)	(6,140)	(16,554)
Revaluation	161	11,761	5,429	5,833	23,184
Closing balance – 30/6/18	7,095	445,616	178,053	218,698	849,462

Albury City Council

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

Note 20. 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 – 1/7/16	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	1,249	7,768	198,148
Purchases (GBV)	2,237	–	184	216	2,637
Disposals (WDV)	(41)	–	–	–	(41)
Depreciation and impairment	(4,292)	(42)	(228)	(25)	(4,587)
Revaluation	5,824	79	–	–	5,903
Reduction in Landfill Rehabilitation Provision	–	2,614	–	–	2,614
Closing balance – 30/6/18	192,794	2,718	1,205	7,959	204,674

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 2018

Note 21. 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 included in the Income Statement is:

Compensation:	2018	2017
Short-term benefits	1,770	1,526
Post-employment benefits	148	168
Other long-term benefits	45	43
Termination benefits	—	—
Total	1,963	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 15.

Albury City Council

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

Note 22. 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	64	24	–	2	(1)	–	89	–
Roads	–	215	–	–	(215)	–	–	–
Parking	393	–	–	6	(180)	–	219	–
Open space	–	71	–	2	–	–	73	–
Community facilities	325	110	–	12	–	–	447	–
Thurgoona/Wirlinga	–	1,368	–	–	(1,368)	–	–	–
NEXUS Industrial Hub	–	–	–	–	–	–	–	–
Hamilton Valley	–	7	–	–	(7)	–	–	–
S7.11 contributions – under a plan	782	1,795	–	22	(1,771)	–	828	–
S7.12 levies – under a plan	–	289	–	–	(289)	–	–	–
Total S7.11 and S7.12 revenue under plans	782	2,084	–	22	(2,060)	–	828	–
S64 contributions	–	2,840	–	–	(2,840)	–	–	–
Total contributions	782	4,924	–	22	(4,900)	–	828	–

Albury City Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Contribution Plan - ALBURY 2005

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	64	24	–	2	(1)	–	89	–
Roads	–	215	–	–	(215)	–	–	–
Parking	393	–	–	6	(180)	–	219	–
Open space	–	71	–	2	–	–	73	–
Community facilities	325	110	–	12	–	–	447	–
Total	782	420	–	22	(396)	–	828	–

Contribution Plan - ALBURY 2014

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					
Thurgoona/Wirlinga	–	1,368	–	–	(1,368)	–	–	–
NEXUS Industrial Hub	–	–	–	–	–	–	–	–
Hamilton Valley	–	7	–	–	(7)	–	–	–
Total	–	1,375	–	–	(1,375)	–	–	–

Albury City Council

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

Note 22. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

Contribution plan - ALBURY 2014

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					
s7.12	–	289	–	–	(289)	–	–	–
Total	–	289	–	–	(289)	–	–	–

Albury City Council

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

Note 23. Result by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General
Income from continuing operations			
Rates and annual charges	3,696	16,783	44,905
User charges and fees	12,584	4,032	24,775
Interest and investment revenue	1,012	1,215	1,428
Other revenues	215	171	4,935
Grants and contributions provided for operating purposes	162	160	9,114
Grants and contributions provided for capital purposes	1,798	2,549	16,112
Total income from continuing operations	19,467	24,910	101,269
Expenses from continuing operations			
Employee benefits and on-costs	1,450	2,014	33,252
Borrowing costs	–	608	2,382
Materials and contracts	1,372	2,805	22,775
Depreciation and amortisation	6,187	4,380	17,585
Other expenses	3,132	4,248	4,004
Net losses from the disposal of assets	163	41	74
Share of interests in joint ventures and associates using the equity method	–	–	6
Total expenses from continuing operations	12,304	14,096	80,078
Net operating result for the year	7,163	10,814	21,191
Net operating result for the year before grants and contributions provided for capital purposes	5,365	8,265	5,079

Albury City Council

Notes to the Financial Statements
as at 30 June 2018

Note 23. Result by fund (continued)

\$ '000

Statement of Financial Position by fund

\$ '000

	2018	2018	2018
	Water	Sewer	General
ASSETS			
Current assets			
Cash and cash equivalents	—	—	5,941
Investments	22,994	30,714	35,936
Receivables	6,778	8,215	7,330
Inventories	250	13	8,329
Other	—	—	465
Total current assets	30,022	38,942	58,001
Non-current assets			
Investments	16,000	16,500	4,000
Infrastructure, property, plant and equipment	225,920	202,722	878,830
Investments accounted for using the equity method	—	—	188
Intangible assets	2,160	—	465
Total non-current assets	244,080	219,222	883,483
TOTAL ASSETS	274,102	258,164	941,484
LIABILITIES			
Current liabilities			
Payables	1,083	253	11,049
Income received in advance	—	—	1,994
Borrowings	—	1,043	2,773
Provisions	408	354	9,225
Total current liabilities	1,491	1,650	25,041
Non-current liabilities			
Borrowings	—	6,360	38,413
Provisions	16	6	5,475
Total non-current liabilities	16	6,366	43,888
TOTAL LIABILITIES	1,507	8,016	68,929
Net assets	272,595	250,148	872,555
EQUITY			
Accumulated surplus	179,919	169,065	437,785
Revaluation reserves	92,676	81,083	434,770
Council equity interest	272,595	250,148	872,555
Total equity	272,595	250,148	872,555

Albury City Council

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

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	18,993	15.2%	16.8%	13.0%	> 0.0%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	125,187				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	115,751	79%	79%	81%	> 60%
Total continuing operating revenue ⁽¹⁾	145,646				
3. Unrestricted current ratio					
Current assets less all external restrictions	50,830	2.6x	3.3x	3.3x	> 1.5x
Current liabilities less specific purpose liabilities	19,423				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	50,135	7.2x	7.1x	6.8x	> 2.0x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	6,963				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	7,778	10.6%	10.3%	10.8%	10.0%
Rates, annual and extra charges collectible	73,060				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	132,085	19 mths	16 mths	13 mths	> 3.0 mths
Payments from cash flow of operating and financing activities	7,096				

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.

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	6.5%	10.1%	30.0%	28.1%	36.4%	34.3%	> 0.0%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	75%	76%	90%	89%	89%	87%	> 60%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.6x	3.3x	20.1x	53.6x	23.6x	24.2x	> 1.5x
Current liabilities less specific purpose liabilities							

Albury City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	5.2x	5.7x	0.0x	0.0x	6.4x	5.5x	> 2.0x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	1.0%	1.1%	39.3%	37.6%	35.0%	33.5%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.4	8.5	64.1	51.2	46.5	37.2	> 3.0 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Albury City Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26	Purpose of operating performance ratio This ratio measures Council's achievement of containing operating expenditure within operating revenue.	Commentary on 2017/18 result 2017/18 ratio 15% AlburyCity's overall operating performance is above the minimum benchmark. The lower 2017/18 result mainly relates to the timing of financial assistance grants from the Federal Government.
2. Own source operating revenue ratio Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26	Purpose of own source operating revenue ratio This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.	Commentary on 2017/18 result 2017/18 ratio 79% AlburyCity's own source operating revenue including rates and charges has been maintained above the minimum benchmark.
3. Unrestricted current ratio Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #26	Purpose of unrestricted current ratio To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.	Commentary on 2017/18 result 2017/18 ratio 2.6x AlburyCity maintains adequate working capital. The decrease in unrestricted current assets is mainly due to the construction of the Kiewa Street multideck carpark which was previously accounted for as a current asset.

Albury City Council

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

Note 24(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio Benchmark: — Minimum ≥ 2.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26	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 2017/18 result 2017/18 ratio 7.2x Sufficient cash is being generated from operations to fund loan repayments.
5. Rates, annual charges, interest and extra charges outstanding percentage Benchmark: — Maximum $< 10.00\%$ Source for Benchmark: Code of Accounting Practice and Financial Reporting #26	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 2017/18 result 2017/18 ratio 10.6% The majority of the outstanding balance relates to the third water bill that is not payable until after year end.
6. Cash expense cover ratio Benchmark: — Minimum ≥ 3.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #26	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 2017/18 result 2017/18 ratio 19 mths The 2017/18 increase is mainly due to additional restricted funds held regarding the Water Fund \$8.8 million and the Sewer Fund \$10 million.



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Albury City Council

To the Councillors of the Albury City Council

Opinion

I have audited the accompanying financial report of Albury City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

Basis for Opinion

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized, flowing script.

Lawrissa Chan
Director

29 October 2018
SYDNEY

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

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: D1821410/1684

29 October 2018

Dear Cr Mack

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

I have audited the general purpose financial statements of the Albury City Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

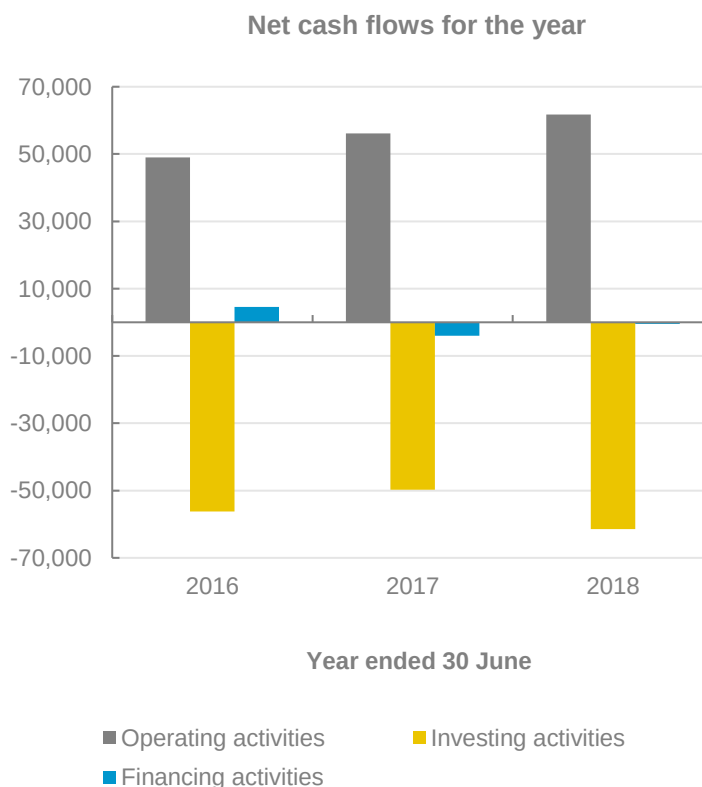
Operating result

	2018 \$'000	2017 \$'000	Variance %
Rates and annual charges revenue	65,384	63,927	 2.28
User charges and fees	41,391	38,520	 7.45
Grants and contributions revenue	29,895	28,499	 4.90
Operating result for the year	39,168	35,413	 10.60
Net operating result before capital amounts	18,709	19,303	 3.08

- The Council's operating result for the year was a surplus of \$39.17 million (\$35.41 million surplus for the year ended 30 June 2017). This is mainly attributed to an increase in grants and contributions provided for capital purposes. The Council budgeted for a surplus of \$17.25 million.
- The Council's net operating result before capital grants and contributions was a surplus of \$18.71 million (\$19.30 million surplus for the year ended 30 June 2017). The decrease of \$0.59 million from the 2016–17 result was mainly due to an increase in expenses.
- Rates and annual charges revenue increased by \$1.46 million (2.28 per cent) to \$65.38 million in 2017–2018. The movement is consistent with an increase in ordinary rates in line with the 1.50 per cent rate peg and the rise in the total number of rateable properties.
- User charges and fees increased by \$2.87 million (7.45 per cent) to \$41.39 million. This is mainly attributable to the increase in waste management services.
- Grants and contributions revenue increased by \$1.39 million (4.90 per cent) to \$29.89 million. This is due to additional heritage and cultural grants, as well as transport specific purpose capital grants. Council also received an advance of \$3.23 million under the Financial Assistance Grant program pertaining to the 2018/19 year (\$3.10 million in advance for the year ended 30 June 2017).
- Council's employee benefits and on-cost expenses remained consistent with prior year increasing by \$1.16 million (3.27 per cent) to \$36.72 million. The increase is consistent with the *Local Government State Award 2017* applicable to Councils employees.
- Council's depreciation and amortisation expense was also consistent with prior year increasing by only \$1.06 million (3.92 per cent) to \$28.15 million.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$0.15 million at 30 June 2018 (net decrease of \$2.42 million at 30 June 2017).
- Net cash provided by operating activities amounted to \$61.74 million. Council recorded cash receipts from rates and annual charges of \$64.98 million and user fees and charge of \$42.48 million. Council recorded \$36.89 million of cash payments for employee benefits and on-costs and \$30.34 million for materials and contracts.
- Net cash used in investing activities amounted to \$61.42 million. This is largely due to the net cash outflows from purchasing:
 - \$41.45 million in infrastructure, property, plant and equipment
 - \$18.66 million in investment securities.
- Net cash used in financing activities amounted to \$0.47 million and included proceeds from borrowings of \$3.50 million and repayment of borrowings of \$3.97 million.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	89,784	70,836	- Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$18.95 million primarily due to Council's water supply (\$8.80 million) and sewerage services (\$10.03 million). - Internally restricted cash and investments have been restricted in their use by resolution or policy of Council. The movement in internal restrictions is predominantly due to an increase in carry over projects of \$3.53 million and restricted bonds, deposits and retentions of \$1.77 million. - Unrestricted cash and investments was \$17.6 million which is available to provide liquidity for day-to-day operations of the Council. Unrestricted cash has decreased as a result of capital expenditure.
Internal restrictions	24,669	17,998	
Unrestricted	17,632	24,741	
Cash and investments	132,085	113,575	

Debt

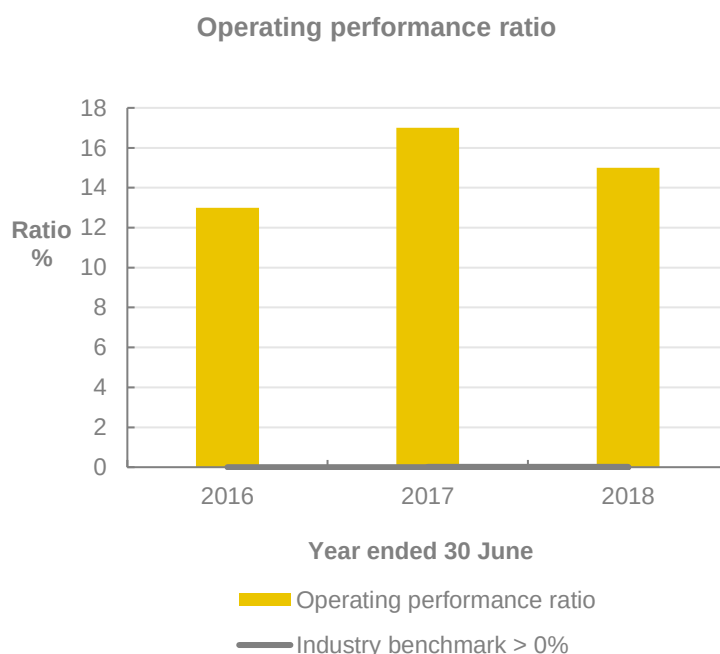
- Council has \$48.59 million of borrowings as at 30 June 2018 (2017: \$49.06 million).
- Council have an unrestricted overdraft facility of \$1.00 million which was undrawn as at 30 June 2018, as well as a \$2.00 million corporate credit cards facility of which \$0.21 million was utilised.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

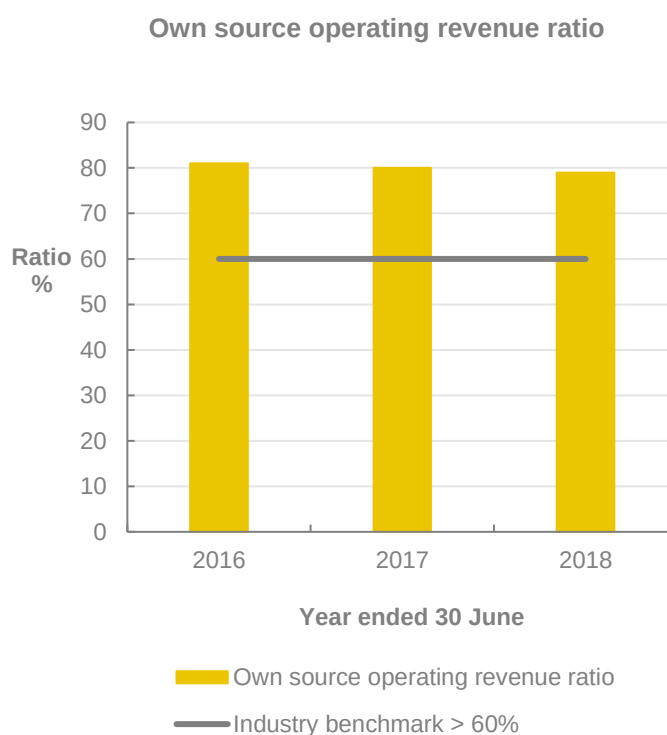
Operating performance ratio

- 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 0%.
- The operating performance ratio of 15% is above the industry benchmark of greater than 0%. The positive operating performance ratio can be attributed to the strength of the Council's general water supply and sewerage business activities.
- The operating performance ratio decreased to 15% (2017: 17%) due to the timing of financial assistance grants from the Federal Government.



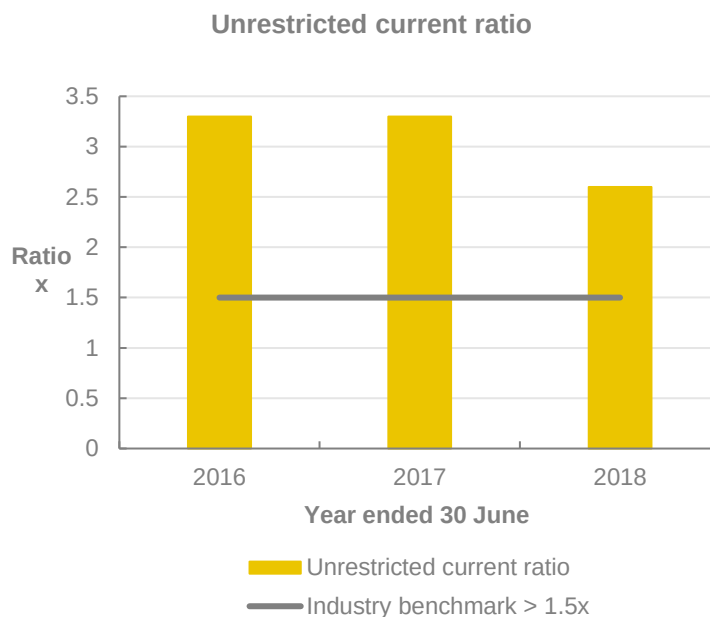
Own source operating revenue ratio

- 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%.
- The Council's own source operating revenue ratio of 79% is above the industry benchmark of 60%. Council has a diversified source of income and does not have a strong reliance on operating grants and contributions.
- The own source operating revenue ratio remained steady at 79% (2017: 80%).



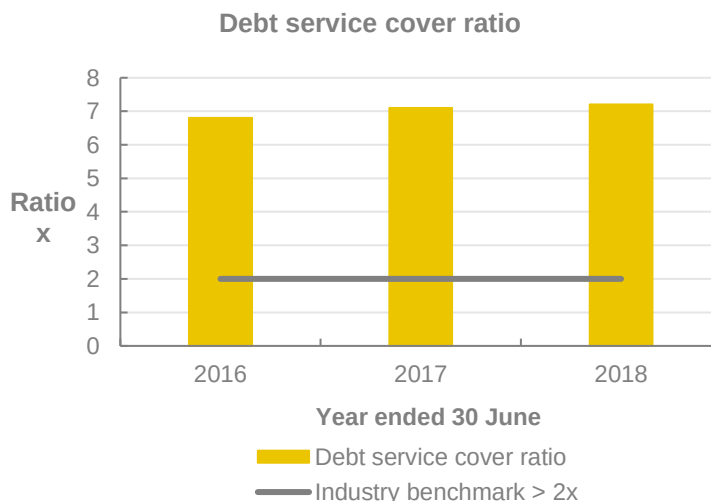
Unrestricted current ratio

- 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 Council's liquidity ratio of 2.6 times is greater than the industry benchmark minimum of greater than 1.5 times. The ratio indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The decrease in the ratio compared with prior year is mainly due to the construction of the Kiewa Street multideck carpark which was previously accounted for as a current asset in the prior year and was transferred to infrastructure, property, plant and equipment on completion in the 2017-18 year.



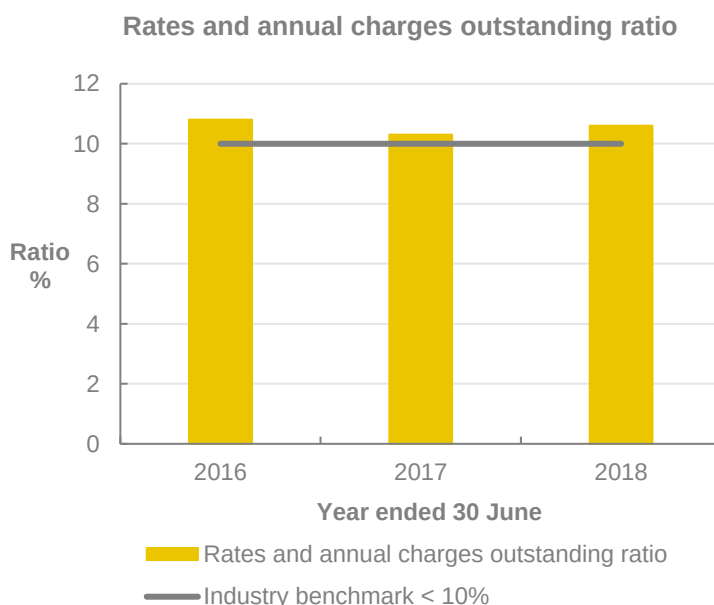
Debt service cover ratio

- 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.
- The Council's debt service cover ratio is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- Council's 'debt service cover ratio' has been consistent across the period.



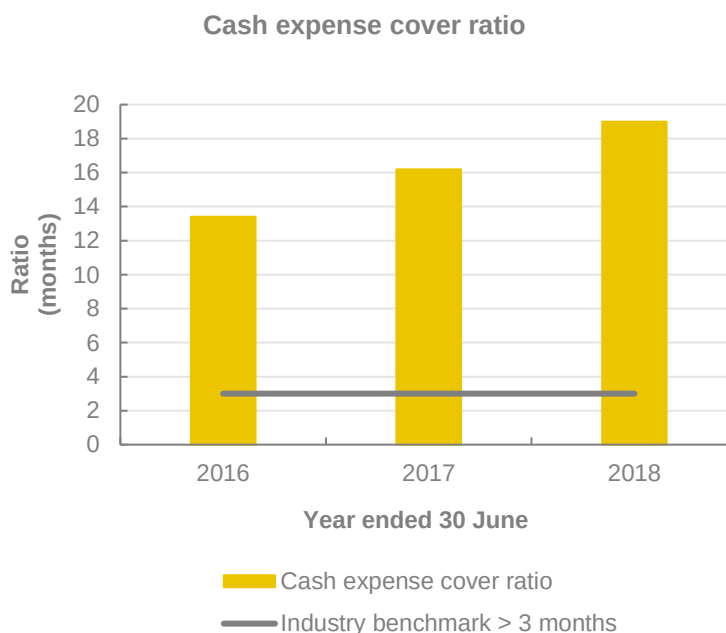
Rates and annual charges outstanding ratio

- 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 regional and rural Councils.
- The Council's rates and annual charges outstanding ratio of 10.6% is outside the industry benchmark of less than 10% for regional councils.
- Council's result remains consistent with prior periods due to the timing of the third water bill falling due following 30 June 2018.



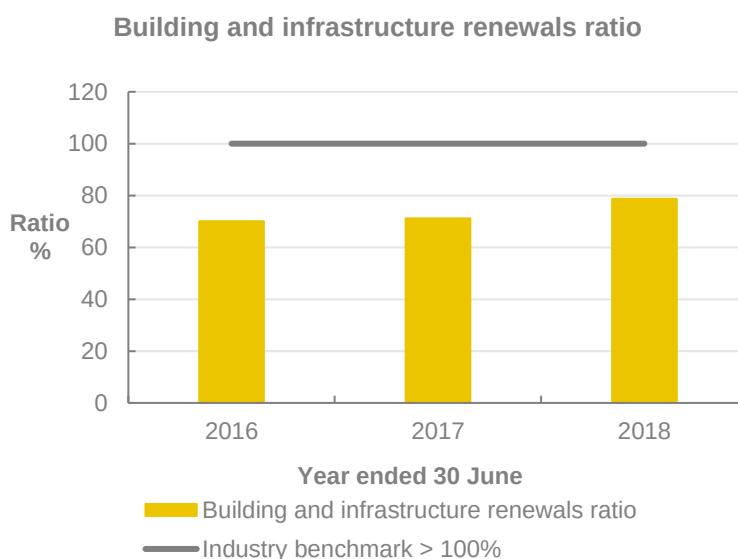
Cash expense cover ratio

- 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.
- The Council's cash expense cover ratio was 19 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 19 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The cash expense cover ratio increased compared with prior year due to additional cash from Council's water supply (\$8.8 million) and sewerage services (\$10.0 million).



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from council's Special Schedule 7 which has not been audited.
- The ratio of 78.7% is below the industry benchmark of greater than 100%.
- This is due to the relatively young age of Council's long-term assets, which means that demand for asset renewals is lower.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11(a).

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

cc: Frank Zaknich, General Manager
Justin Finlayson, Chief Financial Officer
Bryce McNair, Chair of Audit, Risk and Improvement Committee
Tim Hurst, Chief Executive of the Office of Local Government