

**Greater Shepparton City Council  
ANNUAL FINANCIAL REPORT**

*For the Year To Date 30 June 2018*

The final statements certified by Council will be to their final form after any changes, recommended or agreed to by the auditor, have been made.

**Greater Shepparton City Council  
Financial Report  
Table of Contents**

<b>FINANCIAL REPORT</b>	<b>Page</b>
Certification of the Financial Statements	1
Victorian Auditor-General's Office Report	2
<b>Financial Statements</b>	
Comprehensive Income Statement	4
Balance Sheet	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Statement of Capital Works	8
<b>Overview</b>	9
<b>Notes to Financial Statements</b>	
Note 1    Performance against budget	10
1.1. Income and expenditure	10
1.2. Capital works	11
Note 2    Funding for the delivery of our services	12
2.1. Rates and charges	12
2.2. Statutory fees and fines	12
2.3. User fees	12
2.4. Funding from other levels of government	13
2.5. Contributions	14
2.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	14
2.7. Other income	14
Note 3    The cost of delivering services	14
3.1. Employee costs	14
3.2. Materials and services	15
3.3. Depreciation and amortisation	15
3.4. Bad and doubtful debts	15
3.5. Borrowing costs	15
3.6. Other expenses	15
Note 4    Our financial position	16
4.1. Financial assets	16
4.2. Non-financial assets	17
4.3. Payables	17
4.4. Interest bearing liabilities	18
4.5. Provisions	18
4.6. Financing arrangements	19
4.7. Commitments	20
Note 5    Assets we manage	20
5.1. Non current assets classified as held for sale	20
5.2. Property infrastructure plant and equipment	21
5.3. Investments in associates	28
Note 6    People and relationships	29
6.1. Council and key management remuneration	29
6.2. Related party disclosure	30
Note 7    Managing uncertainties	31
7.1. Contingent assets and liabilities	31
7.2. Change in accounting standards	31
7.3. Financial instruments	32
7.4. Fair value measurement	33
7.5. Events occurring after balance date	34
Note 8    Other matters	34
8.1. Reserves	34
8.2. Reconciliation of cash flows from operating activities to surplus/(deficit)	35
8.3. Superannuation	35

## Certification of the Financial Statements

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Planning and Reporting) Regulations 2014*, Australian Accounting Standards and other mandatory professional reporting requirements.

Mr Matthew Jarvis CPA  
Principal Accounting Officer

Date : 11 September 2018

Shepparton

In our opinion the accompanying financial statements present fairly the financial transactions of Greater Shepparton City Council for the year ended 30 June 2018 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances which would render any particulars in the financial statements to be misleading or inaccurate.

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Mayor  
Councillor K. O'Keeffe

Date : 11 September 2018

Shepparton

Deputy Mayor  
Councillor S. Abdullah

Date : 11 September 2018

Shepparton

Mr Peter Harriott  
Chief Executive Officer

Date : 11 September 2018

Shepparton

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## Comprehensive Income Statement For the Year To Date 30 June 2018

	Note	2018 \$	2017 \$
<b>Income</b>			
Rates and charges	2.1	74,576,868	71,891,238
Statutory fees and fines	2.2	3,265,056	3,460,872
User fees	2.3	17,694,180	16,853,744
Grants - operating	2.4(a)	23,412,019	29,092,942
Grants - capital	2.4(b)	5,570,422	7,846,807
Contributions - monetary	2.5	5,269,488	2,440,373
Contributions - non monetary	2.5	10,763,081	5,077,083
Share of net profits (or loss) of associates	5.3	(54,197)	18,458
Other income	2.7	2,313,194	1,739,965
<b>Total income</b>		<b>142,810,112</b>	<b>138,421,482</b>
<b>Expenses</b>			
Employee costs	3.1	(46,904,903)	(45,841,408)
Materials and services	3.2	(42,361,383)	(40,511,537)
Depreciation and amortisation	3.3	(24,067,949)	(22,338,312)
Bad and doubtful debts	3.4	(264,893)	(113,585)
Borrowing costs	3.5	(1,142,301)	(614,481)
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	(825,045)	(1,246,612)
Other expenses	3.6	(3,450,640)	(548,698)
<b>Total expenses</b>		<b>(119,017,114)</b>	<b>(111,214,633)</b>
<b>Net operational surplus/(deficit) for the year</b>		<b>23,792,998</b>	<b>27,206,849</b>
<b>Other items of income and expense included in net result</b>			
Net gain (loss) on revaluation of land under roads	5.2	(150,979,780)	-
<b>Surplus/(deficit) for the year</b>		<b>(127,186,782)</b>	<b>27,206,849</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	8.1	116,979,280	16,720,909
<b>Total comprehensive result</b>		<b>(10,207,502)</b>	<b>43,927,758</b>

The above comprehensive income statement should be read in conjunction with the accompanying notes.

**Balance Sheet**  
**As at 30 June 2018**

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.1(a)	23,809,567	25,303,343
Trade and other receivables	4.1(c)	8,975,559	7,208,640
Other financial assets	4.1(b)	31,500,000	17,000,000
Inventories	4.2(a)	120,198	73,983
Non-current assets classified as held for sale	5.1	248,085	-
Other assets	4.2(b)	1,375,354	1,050,880
<b>Total current assets</b>		<b><u>66,028,763</u></b>	<b><u>50,636,846</u></b>
<b>Non-current assets</b>			
Investments in associates	5.3	1,457,302	1,511,499
Property, infrastructure, plant and equipment	5.2	1,036,461,257	1,058,401,547
Intangible assets	4.2(c)	-	847,820
<b>Total non-current assets</b>		<b><u>1,037,918,559</u></b>	<b><u>1,060,760,866</u></b>
<b>Total assets</b>		<b><u>1,103,947,322</u></b>	<b><u>1,111,397,712</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4.3(a)	11,041,320	6,220,097
Trust funds and deposits	4.3(b)	2,836,213	2,716,657
Provisions	4.5	9,220,506	10,119,393
Interest-bearing liabilities	4.4	1,362,130	1,307,897
<b>Total current liabilities</b>		<b><u>24,460,169</u></b>	<b><u>20,364,044</u></b>
<b>Non-current liabilities</b>			
Provisions	4.5	7,107,824	7,093,881
Interest-bearing liabilities	4.4	17,073,415	18,426,371
<b>Total non-current liabilities</b>		<b><u>24,181,239</u></b>	<b><u>25,520,252</u></b>
<b>Total liabilities</b>		<b><u>48,641,408</u></b>	<b><u>45,884,296</u></b>
<b>Net assets</b>		<b><u>1,055,305,914</u></b>	<b><u>1,065,513,416</u></b>
<b>Equity</b>			
Accumulated surplus		392,419,625	519,606,407
Reserves	8.1	662,886,289	545,907,009
<b>Total Equity</b>		<b><u>1,055,305,914</u></b>	<b><u>1,065,513,416</u></b>

The above balance sheet should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity For the Year To Date 30 June 2018

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$
<b>2018</b>				
Balance at beginning of the financial year		1,065,513,416	519,606,407	545,907,009
Surplus/(deficit) for the year		(127,186,782)	(127,186,782)	-
Net asset revaluation increment/(decrement)		116,979,280	-	116,979,280
<b>Balance at end of the financial year</b>		<b>1,055,305,914</b>	<b>392,419,625</b>	<b>662,886,289</b>
<b>2017</b>				
Balance at beginning of the financial year		1,021,585,658	492,399,558	529,186,100
Surplus/(deficit) for the year		27,206,849	27,206,849	-
Net asset revaluation increment/(decrement)		16,720,909	-	16,720,909
<b>Balance at end of the financial year</b>		<b>1,065,513,416</b>	<b>519,606,407</b>	<b>545,907,009</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.



**Statement of Cash Flows**  
**For the Year To Date 30 June 2018**

	2018	2017
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$	\$
<b>Cash flows from operating activities</b>		
Rates and charges	72,383,543	70,493,649
Statutory fees and fines	3,265,056	3,959,431
User fees	17,329,710	17,322,704
Grants - operating	23,412,019	29,092,942
Grants - capital	5,570,422	7,846,807
Contributions - monetary	5,269,488	2,440,373
Interest received	811,617	669,954
Trust funds and deposits taken/(repaid)	119,556	(376,841)
Other receipts	1,501,578	592,277
Net GST refund/(payment)	1,169,169	1,233,933
Employee costs	(46,359,256)	(46,612,362)
Materials and services	(40,466,756)	(45,421,680)
<b>Net cash provided by/(used in) operating activities</b>	<b>8.2</b> <u>44,006,146</u>	<u>41,241,187</u>
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	(29,122,011)	(42,110,597)
Proceeds from sale of property, infrastructure, plant and equipment	2.6 563,112	2,125,123
Proceeds from/(payments for) investments	(14,500,000)	10,042,827
<b>Net cash provided by/(used in) investing activities</b>	<u>(43,058,899)</u>	<u>(29,942,647)</u>
<b>Cash flows from financing activities</b>		
Finance costs	(1,142,301)	(614,481)
Proceeds from borrowings	-	4,064,000
Repayment of borrowings	(1,298,722)	(2,720,649)
<b>Net cash provided by/(used in) financing activities</b>	<u>(2,441,023)</u>	<u>728,870</u>
Net increase/(decrease) in cash and cash equivalents	(1,493,776)	12,027,410
Cash and cash equivalents at the beginning of the financial year	25,303,343	13,275,933
<b>Cash and cash equivalents at the end of the financial year</b>	<u>23,809,567</u>	<u>25,303,343</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

**Statement of Capital Works  
For the Year To Date 30 June 2018**

	2018 \$	2017 \$
<b>Property</b>		
Land improvements	585,344	5,942,061
Buildings	4,877,282	2,246,288
<b>Total property</b>	<b>5,462,626</b>	<b>8,188,349</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	1,110,867	2,248,258
Fixtures, fittings and furniture	717,392	525,959
Computers and telecommunications	306,802	791,310
<b>Total plant and equipment</b>	<b>2,135,061</b>	<b>3,565,527</b>
<b>Infrastructure</b>		
Roads	12,831,161	11,971,263
Bridges	388,675	53,591
Footpaths and cycleways	602,737	411,533
Drainage	264,993	619,496
Recreational, leisure and community facilities	4,259,538	5,502,519
Waste management	2,831,225	11,299,114
Parks, open space and streetscapes	855,517	530,922
Aerodromes	368,505	26,248
Off street car parks	45,931	-
Other infrastructure	-	2,641
<b>Total infrastructure</b>	<b>22,448,282</b>	<b>30,417,327</b>
<b>Total capital works expenditure</b>	<b>30,045,969</b>	<b>42,171,203</b>
<b>Represented by:</b>		
New asset expenditure	8,270,458	14,722,843
Asset renewal expenditure	18,354,871	24,097,009
Asset expansion expenditure	155,772	-
Asset upgrade expenditure	3,264,868	3,351,351
<b>Total capital works expenditure</b>	<b>30,045,969</b>	<b>42,171,203</b>

The above statement of capital works should be read in conjunction with the accompanying notes.

## OVERVIEW

### Introduction

The Greater Shepparton City Council was established by an Order of the Governor in Council on 17 November 1994 and is a body corporate. The Council's main office is located at 90 Welsford Street, Shepparton.

### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 1989*, and the *Local Government (Planning and Reporting) Regulations 2014*.

### Significant accounting policies

#### (a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation, and disclosure has been made of any material changes to comparatives.

**Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of 10 percent and \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 20 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

These notes are prepared to meet the requirements of the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

**1.1 Income and expenditure**

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
<b>Income</b>				
Rates and charges	74,416,715	74,576,868	160,153	
Statutory fees and fines	3,751,436	3,265,056	(486,380)	1
User fees	19,666,308	17,694,180	(1,972,128)	2
Grants - operating	16,945,759	23,412,019	6,466,260	3
Grants - capital	6,851,408	5,570,422	(1,280,986)	4
Contributions - monetary	2,602,011	5,269,488	2,667,477	5
Contributions - non monetary	2,000,000	10,763,081	8,763,081	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	539,238	(825,045)	(1,364,283)	7
Share of net profits/(losses) of associates and joint ventures	-	(54,197)	(54,197)	
Other income	1,143,081	2,313,194	1,170,113	8
<b>Total income</b>	<b>127,915,956</b>	<b>141,985,067</b>	<b>14,069,111</b>	
<b>Expenses</b>				
Employee costs	47,979,746	46,904,903	1,074,843	
Materials and services	48,537,002	42,361,383	6,175,619	9
Bad and doubtful debts	144,000	264,893	(120,893)	10
Depreciation and amortisation	22,485,890	24,067,949	(1,582,059)	
Borrowing costs	1,223,000	1,142,301	80,699	
Other expenses	345,001	3,450,640	(3,105,639)	11
<b>Total expenses</b>	<b>120,714,639</b>	<b>118,192,069</b>	<b>2,522,570</b>	
<b>Net operational surplus/(deficit) for the year</b>	<b>7,201,317</b>	<b>23,792,998</b>	<b>16,591,681</b>	

**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Statutory fees and fines	Less than budget by \$486,000 due to the reclassification of Commonwealth Home Support Program fees from Statutory Fees to User Fees (\$504,000)
2	User Fees	Less than Budget by \$1.97 million largely due to a decrease in Cosgrove Landfill user fees (\$1.4 million), driven by lower commercial/industrial waste received. Also impacted by lower utilisation rates of early childhood education (\$885,000). Reclassification of Statutory Fees to User Fees (refer variance #1) offset by reclassification of User Fees to Other Income (refer variance #8).
3	Grants - operating	More than budget by \$6.47 million largely due to the early receipt of 50% of the 2018/2019 Federal Financial Assistance Grant funding allocation (\$6.49 million).
4	Grants - Capital	Less than budget by \$1.28 million largely due to the deferral of Federal funding for new Shepparton Art Museum (\$1.0 million) into a future financial year.
5	Contributions - Monetary	More than budget by \$2.67 million largely due to increased developer contributions for Recreational Land Fund, Cash in Lieu of Car Parks, and estate developments (\$820,000). Also due to increased contributions for capital projects including Verney Road Reconstruction (\$366,000), Maude St Plaza/Bus Interchange (\$269,000), Shepparton Art Museum auspiced funds (\$230,000) and Shepparton Alternate Route (\$141,000).
6	Contributions - Non monetary	More than budget by \$8.76 million largely due to asset contributions received from developers which are often difficult to predict.
7	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Less than budget by \$1.36 million largely due to the write down off assets removed (\$915,000) and fewer sales of large plant items due to delays in replacements (\$470,000).
8	Other Income	More than budget by \$1.17 million largely due the reclassification of User Fees to Other Income (\$925,000) in particular Eastbank Catering and Riverlinks Box Office income (refer variance #2).
9	Materials and Services	Less than budget by \$6.18 million mainly due to operational savings in Waste Operations including kerbside organics contract payments (\$836,000) and lower EPA levy volume at Cosgrove Landfill (\$644,000), and organisation wide staff training (\$400,000). Also impacted by the carry forward of intersection works at Mooroopna West Growth Corridor (\$960,000) and Southdown Precinct (\$500,000) into future financial years.
10	Bad & Doubtful Debts	More than budget by \$121,000 mainly due to an increase in bad & doubtful debts for Parking Enforcement.
11	Other expenses	More than budget by \$3.11 million largely due to project costs expended on non-council assets (\$2.26 million) and Parkside Gardens intangible asset write off (\$754,000).

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
<b>Property</b>				
Land	20,000	-	(20,000)	
Land improvements	1,064,000	585,344	(478,656)	1
Buildings	6,044,000	4,877,282	(1,166,718)	2
<b>Total Property</b>	<b>7,128,000</b>	<b>5,462,626</b>	<b>(1,665,374)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	2,255,940	1,110,867	(1,145,073)	3
Fixtures, fittings and furniture	159,000	717,392	558,392	4
Computers and telecommunications	260,000	306,802	46,802	
<b>Total Plant and Equipment</b>	<b>2,674,940</b>	<b>2,135,061</b>	<b>(539,879)</b>	
<b>Infrastructure</b>				
Roads	14,811,262	12,831,161	(1,980,101)	5
Bridges	657,360	388,675	(268,685)	6
Footpaths and cycleways	579,400	602,737	23,337	
Drainage	670,000	264,993	(405,007)	7
Recreational, leisure and community facilities	3,929,574	4,259,538	329,964	8
Waste management	6,500,000	2,831,225	(3,668,775)	9
Parks, open space and streetscapes	1,133,000	855,517	(277,483)	10
Aerodromes	300,000	368,505	68,505	
Off street car parks	-	45,931	45,931	
<b>Total Infrastructure</b>	<b>28,580,596</b>	<b>22,448,282</b>	<b>(6,132,314)</b>	
*Project Management Office	1,000,000	-	(1,000,000)	11
<b>Total Capital Works Expenditure</b>	<b>39,383,536</b>	<b>30,045,969</b>	<b>(9,337,567)</b>	
<b>Represented by:</b>				
New asset expenditure	7,946,245	8,270,458	324,213	
Asset renewal expenditure	25,364,258	18,354,871	(7,009,387)	
Asset expansion expenditure	498,227	155,772	(342,455)	
Asset upgrade expenditure	5,574,806	3,264,868	(2,309,938)	
<b>Total Capital Works Expenditure</b>	<b>39,383,536</b>	<b>30,045,969</b>	<b>(9,337,567)</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land Improvements	Less than budget by \$479,000 largely due to the rebudget of Vic Park Lake Toilet Replacement works into 2018/2019 (\$354,000) and savings on the Shell Service Station Remediation works (\$161,000).
2	Buildings	Less than budget by \$1.17 million largely due to the rebudget of New SAM (\$571,000) and Maude Street (Plaza/Bus Interchange) Stage 1 works (\$508,000) into future financial years.
3	Plant, Machinery and Equipment	Less than budget by \$1.15 million largely due to the rebudget of purchase of plant items (\$1.22 million) into 2018/2019.
4	Fixtures, Fittings and Furniture	More than budget by \$558,000 mainly due to the reclassification of St Georges Road Redevelopment (\$423,000) from Recreational, Leisure and Community Facilities to Fixtures, Fittings and Furniture (see variance #8) and additional Art Work Acquisitions (\$125,000).
5	Roads	Less than budget by \$1.98 million largely due to the rebudget of Balaclava Verney Dookie Intersection works (\$2.37 million) into 2018/2019 partially offset by Shepparton Sports City asphalt works (\$149,000) and Safe System Road Infrastructure Program works (\$120k).
6	Bridges	Less than budget by \$269,000 due to Rural Seal Bridge works at Toolamba bridge (\$284,000) being rebudgeted to future financial years.
7	Drainage	Less than budget by \$405,000 largely due to the rebudget of South Growth Corridor Wetland Planting (\$90,000) into 2018/2019 and lower expenditure in Marlboro Drive Shared Drainage (\$245,000) and North Growth Corridor Drainage Design & Landscape Plan (\$150,000).
8	Recreational, Leisure and Community Facilities	More than budget by \$330,000 largely due to additional works at Shepparton Sports City (\$1.07 million) partially offset by the reclassification of St Georges Road Redevelopment (\$423,000) from Recreational, Leisure and Community Facilities to Fixtures, Fittings and Furniture and the rebudget of Merrigum Pool - Splash Equipment (\$325,000) into 2018/2019.
9	Waste Management	Less than budget by \$3.67 million due to the rebudget of Cosgrove Landfill works (\$3.67m) into future financial years.
10	Parks, Open Space and Streetscapes	Less than budget by \$277,000 largely due to the rebudget of Maude Street Mall activation (\$250,000) into 2018/2019.
11	Project Management Office	Less than budget by \$1.0 million due to Project Management Office costs, incurred solely in the management of Council's capital works, being allocated to the various capital projects during the financial year.

<b>Note 2 Funding for the delivery of our services</b>	<b>2018</b>	<b>2017</b>
<b>2.1 Rates and charges</b>	<b>\$</b>	<b>\$</b>

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value, which takes into account the land and all improvements fixed to the land.

The valuation base used to calculate general rates for 2017/18 was \$9.587 billion (2016/17 \$9.438 billion).

General rates	56,329,814	54,592,879
Municipal charge	7,820,426	7,599,872
Waste management charge	9,427,938	9,169,234
Supplementary rates and rate adjustments	812,624	260,791
Interest on rates and charges	186,066	268,462
<b>Total rates and charges</b>	<b><u>74,576,868</u></b>	<b><u>71,891,238</u></b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2016, and the valuation was first applied in the rating year commencing 1/07/2016.

Annual rates and charges are recognised as revenues when Council issues annual rates notices. Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice issued.

## 2.2 Statutory fees and fines

Infringements and costs	1,379,401	1,122,207
Court recoveries	25,686	152,448
Town planning fees	638,212	540,650
Land information certificates	63,307	60,079
Permits	1,128,770	1,585,488
Other	29,680	-
<b>Total statutory fees and fines</b>	<b><u>3,265,056</u></b>	<b><u>3,460,872</u></b>

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

## 2.3 User fees

Aged and Disability services	649,259	636,273
Animal Control	97,686	110,816
Aquatic Facilities	3,564,027	3,141,228
Arts and Culture	677,954	831,549
Children's Services	2,289,868	2,238,365
Development Facilities	355,521	263,944
Environmental Health	19,744	17,371
Financial Services	535,963	433,071
Parking	1,259,260	1,299,015
Private Works	-	125,649
Recreation Facilities	755,646	521,487
Saleyards	1,283,483	1,475,525
Tourism	1,101,742	1,351,270
Waste Management services	4,489,615	3,477,530
Other	614,412	930,651
<b>Total user fees</b>	<b><u>17,694,180</u></b>	<b><u>16,853,744</u></b>

User fees are recognised as revenue when the service has been provided or council has otherwise earned the income.

	2018	2017
	\$	\$
<b>2.4 Funding from other levels of government</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	20,784,944	27,532,545
State funded grants	8,197,497	9,407,204
<b>Total grants received</b>	<b>28,982,441</b>	<b>36,939,749</b>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Federal Financial Assistance Grants	9,334,774	17,520,487
People and Development	2,500	-
Active Living	5,000	-
Children's and Youth services	2,292,464	2,792,498
Neighbourhoods	2,355,198	1,175,691
Projects	3,065,285	-
Works and Waste	-	20,500
Environmental Health	6,552	-
<b>Recurrent - State Government</b>		
Neighbourhoods	1,534,896	2,888,877
Children's and Youth services	3,552,461	1,804,617
Citizen Services - Parking	-	204,385
Environmental Health	96,826	196,621
Arts and Culture	120,000	120,000
Emergency Management	120,000	120,000
Economic Development	2,725	-
Saleyards	5,500	-
Works and Waste	228	-
<b>Total recurrent operating grants</b>	<b>22,494,409</b>	<b>26,843,676</b>
<b>Non-recurrent - Commonwealth Government</b>		
Environmental Planning	-	52,832
Economic Development	-	18,182
Other	-	11,581
<b>Non-recurrent - State Government</b>		
Children's and Youth services	122,580	1,216,364
Arts and Culture	145,962	240,522
Neighbourhoods	168,525	223,780
Active Living	30,000	148,018
Building and Planning	-	132,000
Environment	113,511	75,000
Finance and Rates	62,103	60,372
Economic Development	89,167	58,800
Infrastructure	29,025	7,500
Recreation and Parks	89,777	4,315
Works and Waste	66,960	-
<b>Total non-recurrent operating grants</b>	<b>917,610</b>	<b>2,249,266</b>
<b>Total operating grants</b>	<b>23,412,019</b>	<b>29,092,942</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,958,378	4,880,774
<b>Recurrent - State Government</b>		
Recreation and Parks	-	50,000
<b>Total recurrent capital grants</b>	<b>2,958,378</b>	<b>4,930,774</b>
<b>Non-recurrent - Commonwealth Government</b>		
Infrastructure	15,793	1,000,000
Recreation and Parks	749,000	-
Community Life	-	60,000
<b>Non-recurrent - State Government</b>		
Sports Facilities	-	1,385,800
Community Life	-	234,357
Infrastructure	230,529	124,350
Economic Development	-	90,000
Recreation and Parks	198,492	13,726
Arts and Culture	-	7,800
Buildings	1,238,230	-
Plant, machinery and equipment	180,000	-
<b>Total non-recurrent capital grants</b>	<b>2,612,044</b>	<b>2,916,033</b>
<b>Total capital grants</b>	<b>5,570,422</b>	<b>7,846,807</b>
<b>(c) Unspent grants received on condition they be spent in a specific manner</b>		
Balance at start of year	8,245,193	777,174
Received during the financial year and remained unspent at balance date	6,577,047	8,088,603
Received in prior years and spent during the financial year	(7,985,498)	(620,584)
Balance at year end	<b>6,836,742</b>	<b>8,245,193</b>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal) or upon earlier notification that a grant has been secured.

	2018	2017
	\$	\$
<b>2.5 Contributions</b>		
Monetary	5,269,488	2,440,373
Non-monetary	10,763,081	5,077,083
<b>Total contributions</b>	<u>16,032,569</u>	<u>7,517,456</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	1,332,234	1,080,244
Roads	4,799,181	1,984,343
Other infrastructure	4,631,666	2,012,496
<b>Total non-monetary contributions</b>	<u>10,763,081</u>	<u>5,077,083</u>

Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.

**2.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment**

Proceeds of sale	563,112	2,125,123
Written down value of assets disposed	(1,388,157)	(3,371,735)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(825,045)</u>	<u>(1,246,612)</u>

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

**2.7 Other income**

Interest	811,617	669,954
Rent	417,845	592,277
Other	1,083,732	477,734
<b>Total other income</b>	<u>2,313,194</u>	<u>1,739,965</u>

Interest is recognised as it is earned.

Other income is measured at the fair value of the consideration received or receivable and is recognised when Council gains control over the right to receive the income.

**Note 3 The cost of delivering services**

**3.1 Employee costs**

Wages and salaries	41,627,809	41,208,455
WorkCover	593,060	421,314
Superannuation	4,493,359	4,065,019
Fringe benefits tax	190,675	146,620
<b>Total employee costs</b>	<u>46,904,903</u>	<u>45,841,408</u>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	141,332	166,721
Employer contributions - other funds	10,051	9,665
	<u>151,383</u>	<u>176,386</u>
Employer contributions payable at reporting date.	-	-

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,969,528	2,720,260
Employer contributions - other funds	1,372,448	1,168,373
	<u>4,341,976</u>	<u>3,888,633</u>
Employer contributions payable at reporting date.	-	-

Refer to note 8.3 for further information relating to Council's superannuation obligations.



	2018	2017
	\$	\$
<b>3.2 Materials and services</b>		
Contract payments	14,522,208	16,593,202
Building maintenance	1,562,032	1,240,179
General maintenance	3,940,455	4,123,049
Utilities	2,536,955	2,754,335
Operational supplies and services	9,756,185	6,939,305
Information technology	1,878,205	2,030,398
Insurance	954,449	1,244,482
Consultants	1,362,549	1,535,497
Sponsorships and contributions	2,832,353	1,163,798
Legal	1,274,684	1,419,169
Environment Protection Authority Landfill Levy	956,163	674,597
Motor vehicle expenses	785,145	793,525
<b>Total materials and services</b>	<b>42,361,383</b>	<b>40,511,537</b>

### 3.3 Depreciation and amortisation

Property	1,811,004	2,246,305
Plant and equipment	2,268,465	2,048,310
Infrastructure	19,988,480	18,043,697
<b>Total depreciation and amortisation</b>	<b>24,067,949</b>	<b>22,338,312</b>

Refer to note 4.2( c ) and 5.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

### 3.4 Bad and doubtful debts

Parking fine debtors	242,817	88,676
Rates debtors	4,641	12,905
Other debtors	17,435	12,004
<b>Total bad and doubtful debts</b>	<b>264,893</b>	<b>113,585</b>

#### Movement in provisions for doubtful debts

Balance at the beginning of the year	(115,710)	(74,778)
New provisions recognised during the year	(426,406)	(154,517)
Amounts already provided for and written off as uncollectible	264,893	113,585
Balance at end of year	<b>(277,223)</b>	<b>(115,710)</b>

Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

### 3.5 Borrowing costs

Interest - borrowings	1,142,301	774,359
Less capitalised borrowing costs on qualifying assets	-	(159,878)
<b>Total borrowing costs</b>	<b>1,142,301</b>	<b>614,481</b>

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.

### 3.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	68,258	64,200
Auditors' remuneration - Internal	24,425	57,740
Councillors' allowances	304,019	299,864
Operating lease rentals	41,731	-
Project costs expended on non-council assets	2,258,161	-
Write down of intangible assets	4.2 754,046	126,894
<b>Total other expenses</b>	<b>3,450,640</b>	<b>548,698</b>

Note 4 Our financial position	2018	2017
4.1 Financial assets	\$	\$
<b>(a) Cash and cash equivalents</b>		
Cash on hand	9,930	9,745
Cash at bank	7,299,637	6,789,484
Term deposits	16,500,000	18,504,114
<b>Total cash and cash equivalents</b>	<b>23,809,567</b>	<b>25,303,343</b>
<b>(b) Other financial assets</b>		
Term deposits - current	31,500,000	17,000,000
<b>Total other financial assets</b>	<b>31,500,000</b>	<b>17,000,000</b>
<b>Total financial assets</b>	<b>55,309,567</b>	<b>42,303,343</b>

Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These

- Trust funds and deposits (Note 4.3(b))	2,836,213	2,716,657
- Funds held on a statutory basis	2,128,584	1,850,604
<b>Total restricted funds</b>	<b>4,964,797</b>	<b>4,567,261</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>18,844,770</b>	<b>20,736,082</b>

**Intended allocations**

Although not externally restricted the following amounts have been allocated for specific future purposes by Council:

- Cash held to fund carried forward capital works	5,524,000	2,691,553
- Conditional grants unspent	6,836,742	8,245,193
<b>Total funds subject to intended allocations</b>	<b>12,360,742</b>	<b>10,936,746</b>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.

Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.

**(c) Trade and other receivables**

<i>Statutory receivables</i>		
Rates debtors	2,735,414	2,670,343
Infringement debtors	1,033,981	798,215
Provision for doubtful debts - infringements	(247,223)	(85,710)
<i>Non statutory receivables</i>		
Net GST receivable	1,169,169	1,233,993
Other debtors	4,314,218	2,621,799
Provision for doubtful debts - other debtors	(30,000)	(30,000)
<b>Total current trade and other receivables</b>	<b>8,975,559</b>	<b>7,208,640</b>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

**(i) Ageing of receivables**

The ageing of the Council's trade & other receivables (excluding statutory receivables) that are not impaired was:

Current (not yet due)	1,224,127	1,168,477
Past due by up to 30 days	2,033,425	1,160,309
Past due between 31 and 60 days	96,187	21,469
Past due between 61 and 90 days	237,248	181,321
Past due by more than 91 days	719,000	90,223
<b>Total trade &amp; other receivables</b>	<b>4,309,987</b>	<b>2,621,799</b>

**(ii) Ageing of individually impaired receivables**

At balance date, other debtors representing financial assets with a nominal value of \$70,417 (2017: \$30,000) were impaired. The amount of the provision raised against these debtors was \$30,000 (2017: \$30,000). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of receivables that have been individually determined as impaired at reporting date was:

Past due by more than 91 days	30,000	30,000
<b>Total trade &amp; other receivables</b>	<b>30,000</b>	<b>30,000</b>

4.2 Non-financial assets	2018	2017
(a) Inventories	\$	\$
Inventories held for distribution	120,198	73,983
<b>Total inventories</b>	<b>120,198</b>	<b>73,983</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

**(b) Other assets**

Prepaid expenses	676,750	674,044
Accrued income	697,604	333,134
Parkside Gardens - right to receive income <12mths	-	43,702
Other assets	1,000	-
<b>Total other assets</b>	<b>1,375,354</b>	<b>1,050,880</b>

**(c) Intangible assets**

Parkside Gardens - right to receive income >12mths	-	847,820
<b>Total intangible assets</b>	<b>-</b>	<b>847,820</b>

	Parkside Gardens
	\$
<b>Gross carrying amount</b>	
Balance at 1 July 2017	847,820
Additions from internal developments	-
Write-down of Parkside Gardens	(710,344)
Re-recognition of land	(137,476)
Balance at 1 July 2018	-
<b>Accumulated amortisation and impairment</b>	
Balance at 1 July 2017	-
Amortisation expense	-
Balance at 1 July 2018	-
Net book value at 30 June 2017	847,820
Net book value at 30 June 2018	-

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

		2017
		\$
<b>Summary of intangible assets</b>		
Other assets - Parkside Gardens - right to receive income < 12mths	4.2(b)	43,702
Intangible assets - Parkside Gardens - right to receive income > 12mths	4.2(c)	847,820
		891,522
Re-recognition of land formerly known as Parkside Gardens		(137,476)
<b>Total write down of intangible assets</b>	<b>3.6</b>	<b>754,046</b>

**4.3 Payables**

**(a) Trade and other payables**

Trade payables	1,832,723	35
Prepaid income	305,808	267,236
Accrued expenses	8,665,259	5,644,961
Provision for employee Rostered Days Off	237,530	307,865
<b>Total trade and other payables</b>	<b>11,041,320</b>	<b>6,220,097</b>

**(b) Trust funds and deposits**

Refundable deposits	2,127,212	2,018,771
Fire services levy	314,073	282,371
Retention amounts	394,928	415,515
<b>Total trust funds and deposits</b>	<b>2,836,213</b>	<b>2,716,657</b>

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

*Purpose and nature of items*

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

	2018	2017
	\$	\$
<b>4.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings - secured	1,362,130	1,307,898
	<u>1,362,130</u>	<u>1,307,898</u>
<b>Non-current</b>		
Borrowings - secured	17,073,415	18,426,370
	<u>17,073,415</u>	<u>18,426,370</u>
<b>Total</b>	<u>18,435,545</u>	<u>19,734,268</u>

Borrowings are secured by general rates as per *Local Government Act - Section 148 (1)(a)*.

(a) The maturity profile for Council's borrowings is:

Not later than one year	1,362,129	1,307,898
Later than one year and not later than five years	6,169,787	5,691,373
Later than five years	10,903,629	12,734,997
	<u>18,435,545</u>	<u>19,734,268</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

**4.5 Provisions**

	Employee	Landfill restoration	Total
	\$	\$	\$
<b>2018</b>			
Balance at beginning of the financial year	10,519,757	6,693,517	17,213,274
Additional provisions	8,202,057	857,259	9,059,316
Amounts used	(8,132,375)	(929,376)	(9,061,751)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(397,871)	(484,638)	(882,509)
Balance at the end of the financial year	<u>10,191,568</u>	<u>6,136,762</u>	<u>16,328,330</u>

<b>2017</b>			
Balance at beginning of the financial year	10,499,570	7,484,659	17,984,229
Additional provisions	4,082,646	-	4,082,646
Amounts used	(4,050,039)	(682,211)	(4,732,250)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(12,420)	(108,931)	(121,351)
Balance at the end of the financial year	<u>10,519,757</u>	<u>6,693,517</u>	<u>17,213,274</u>

4.5 Provisions (cont'd)	2018	2017
(a) Employee provisions	\$	\$
<b>Current provisions expected to be wholly settled within 12</b>		
Annual leave	2,674,993	2,877,834
Long service leave	725,015	719,324
	<b>3,400,008</b>	<b>3,597,158</b>
<b>Current provisions expected to be wholly settled after 12</b>		
Annual leave	726,622	767,726
Long service leave	4,793,876	4,869,202
	<b>5,520,498</b>	<b>5,636,928</b>
Total current employee provisions	<b>8,920,506</b>	<b>9,234,086</b>
<b>Non-current</b>		
Long service leave	1,271,062	1,285,671
Annual leave	-	-
Total non-current employee provisions	<b>1,271,062</b>	<b>1,285,671</b>
Aggregate carrying amount of employee provisions:		
Current	8,920,506	9,234,086
Non-current	1,271,062	1,285,671
Total aggregate carrying amount of employee provisions	<b>10,191,568</b>	<b>10,519,757</b>

The calculation of employee costs and benefits includes all relevant on-costs and are calculated as follows at reporting date.

*Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

*Long service leave*

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non-current liability.

Key assumptions:

- discount rate	2.65%	2.40%
- inflation rate	1.50%	2.00%

**(b) Landfill restoration and aftercare**

Current	300,000	885,307
Non-current	5,836,762	5,808,210
	<b>6,136,762</b>	<b>6,693,517</b>

Council is obligated to restore the Cosgrove landfill site to a particular standard. The forecast life of the site is based on current estimates of remaining capacity and the forecast rate of infill. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:

- discount rate	1.91% - 2.695%	2.59%
- inflation rate	2.10%	2.10%
- estimated cost to rehabilitate	6,557,779	6,693,517

**Summary of provisions**

	Current	Non-current
Employee provisions	4.5(a) 8,920,506	1,271,062
Landfill restoration and aftercare	4.5(b) 300,000	5,836,762
<b>Total of provisions</b>	<b>9,220,506</b>	<b>7,107,824</b>

**4.6 Financing arrangements**

The Council has the following funding arrangements in place as at 30 June 2018.

Bank overdraft	200,000	200,000
Credit card facilities	100,000	100,000
Interest bearing loans	18,435,545	19,734,267
<b>Total facilities</b>	<b>18,735,545</b>	<b>20,034,267</b>
Bank overdraft - bank guarantees	199,475	199,475
Used facilities - credit cards	24,018	20,610
Interest bearing loans	18,435,545	19,734,267
<b>Unused facilities</b>	<b>76,507</b>	<b>79,915</b>

4.7 Commitments

The Council has entered into the following commitments. Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value and presented inclusive of the GST payable.

2018	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years		
	\$	\$	\$	\$	\$
<b>Operating</b>					
Kerbside collection and disposal	7,114,501	7,465,314	25,051,010	-	39,630,825
Open space management	500,000	-	-	-	500,000
Consultancies	2,742,938	1,632,490	1,629,231	254,129	6,258,788
Home care services	2,016,328	-	-	-	2,016,328
Cleaning contracts for council buildings	380,000	-	-	-	380,000
Meals for delivery	412,000	-	-	-	412,000
Total	13,165,767	9,097,804	26,680,241	254,129	49,197,941
<b>Capital</b>					
Buildings	1,547,850	66,607	19,800	-	1,634,257
Roads	23,565	-	-	-	23,565
Drainage	110,960	-	-	-	110,960
Waste Management	4,177,574	-	-	-	4,177,574
Other	20,000	-	-	-	20,000
Total	5,879,949	66,607	19,800	-	5,966,356

2017	Not later than	Later than 1	Later than 2	Later than 5	Total
	1 year	year and not later than 2 years	years and not later than 5 years		
	\$	\$	\$	\$	\$
<b>Operating</b>					
Kerbside collection and disposal	5,811,750	6,102,338	20,199,508	7,417,434	39,531,030
Open space management	505,000	-	-	-	505,000
Consultancies	2,394,307	1,509,989	973,902	129,327	5,007,525
Home care services	2,016,328	2,076,817	-	-	4,093,145
Cleaning contracts for council buildings	430,366	430,366	430,366	-	1,291,098
Meals for delivery	412,000	424,360	-	-	836,360
Total	11,569,751	10,543,870	21,603,776	7,546,761	51,264,158
<b>Capital</b>					
Buildings	1,700,711	-	-	-	1,700,711
Roads	3,376,000	201,000	76,000	-	3,653,000
Drainage	55,000	-	-	-	55,000
Waste management	2,055,662	171,000	-	-	2,226,662
Total	7,187,373	372,000	76,000	-	7,635,373

	2018	2017
	\$	\$
<b>Operating lease commitments</b>		
Not later than one year	579,294	714,214
Later than one year and not later than five years	911,887	689,695
Later than five years	-	-
	<b>1,491,181</b>	<b>1,403,909</b>

Lease payments for operating leases are required by the accounting standard to be recognised on a straight line basis, rather than expensed in the years in which they are incurred.

Note 5 Assets we manage

5.1 Non current assets classified as held for sale

Cost of acquisition of land	248,085	-
<b>Total non current assets classified as held for sale</b>	<b>248,085</b>	<b>-</b>

5.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017	Additions	Contributions	* Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property	225,417,472	184,081	1,332,234	(148,880,562)	(96,069)	-	-	(177,708)	77,779,448
Buildings	70,157,915	608,126	-	5,434,840	(1,714,935)	(2,799)	-	733,448	75,216,595
Plant and equipment	29,436,402	1,146,980	-	649,090	(2,268,465)	(268,520)	-	390,101	29,085,588
Infrastructure	694,417,497	14,488,745	9,430,847	108,767,019	(19,988,479)	(1,114,837)	-	22,253,916	828,254,707
Work in progress	38,972,261	12,831,552	-	-	-	-	(2,258,168)	(23,420,726)	26,124,919
	<b>1,058,401,547</b>	<b>29,259,484</b>	<b>10,763,081</b>	<b>(34,029,613)</b>	<b>(24,067,948)</b>	<b>(1,386,156)</b>	<b>(2,258,168)</b>	<b>(220,969)</b>	<b>1,036,461,257</b>

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$	\$	\$	\$	\$
Property	1,439,379	3,681,378	(8,944)	(918,790)	4,193,023
Plant and equipment	446,919	570,984	(156,293)	(390,101)	471,509
Infrastructure	37,085,963	8,579,190	(2,092,931)	(22,111,835)	21,460,387
Total	<b>38,972,261</b>	<b>12,831,552</b>	<b>(2,258,168)</b>	<b>(23,420,726)</b>	<b>26,124,919</b>

\* Revaluation of land under roads

In 2015 the local government (LG) sector was strongly encouraged to recognise Land Under Roads acquired before 1 July 2008. During the 2014/15 financial year, Council recognised Land Under Roads before 1 July 2008 and, along with Land Under Roads acquired after 1 July 2008, was independently valued at \$175,454,022.

The 2017/18 financial year was a revaluation year for assets. Since the initial valuation, Council's independent valuers have continued to work in the LG sector and further developed their methodologies for valuation. The latest valuation for Land Under Roads was calculated using significantly increased discount factors of 95% for urban roads (up from 65%), 90% for suburban roads (up from 35%) and 75% for rural roads (up from 25%), in order to better reflect the fair value of the asset considering the highest and best use.

\* Reconciliation of revaluations

Valuation adjustment to Land Under Roads	(154,301,500)	Refer 5.2(a)
Revaluation adjustment to other Reserves	120,301,000	Refer Note 8.1
Revaluation adjustment to land held for sale	(29,113)	
Net revaluation	<b>(34,029,613)</b>	as above

Valuation adjustment to Land Under Roads	(154,301,500)	Refer 5.2(a)
Transfer of Reserve - Land Specialised	(3,321,720)	Refer Note 8.1
Balance booked to Income Statement	<b>(150,979,780)</b>	Refer Comprehensive Income Statement

5.2 Property, infrastructure, plant and equipment (cont'd)

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$
Property		
Land & land improvements		
land	-	1
land improvements	15 - 60 years	5,000
land under roads	-	1
Buildings		
buildings	10 - 100 years	10,000
Heritage Assets		
heritage assets	10 - 100 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 - 10 years	500
furniture, equipment and computers	2 - 13 years	1,500
art collection and civic regalia	-	3,000
Infrastructure		
Roads		
road surface and seals	12 - 60 years	20,000
spray seal		500m2
ashphalt		150m2
concrete		55m2
line marking		5,000
road pavement	53 - 60 years	290m2
road kerb, channel and minor culverts	60 - 90 years	1
bridges and major culverts	40 - 100 years	1
footpaths	10 - 70 years	1
bike paths	10 - 65 years	1
drainage	50 - 90 years	1
naturestrip trees	50 years	1
regulatory signs	7 - 35 years	1
street furniture	5 - 50 years	1



Notes to the Financial Report  
For the Year To Date 30 June 2018

5.2 Property, infrastructure, plant and equipment (cont'd)  
(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	179,602,344	39,780,746	6,304,883	225,687,973	31,968,724	84,469,717	116,438,441	1,439,378	343,565,792
Accumulated depreciation at 1 July 2017	-	-	(270,501)	(270,501)	(11,762,170)	(34,518,356)	(46,280,526)	-	(46,551,027)
	179,602,344	39,780,746	6,034,382	225,417,472	20,206,554	49,951,361	70,157,915	1,439,378	297,014,765
<b>Movements in fair value</b>									
Additions	-	137,476	46,605	184,081	305,108	303,018	608,126	3,681,378	4,473,585
Contributions	1,113,545	209,370	9,319	1,332,234	-	-	-	-	1,332,234
Revaluation increments/(decrements)	(154,301,500)	4,304,006	1,612,038	(148,385,456)	2,350,175	3,714,739	6,064,914	-	(142,320,542)
Disposal	-	-	-	-	(1,251)	(15,000)	(16,251)	-	(16,251)
Write-off	-	-	-	-	-	-	-	(8,944)	(8,944)
Transfers - from WIP	-	-	185,342	185,342	283,993	449,455	733,448	(918,790)	-
Transfers - other assets	-	(363,050)	-	(363,050)	-	-	-	-	(363,050)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	(153,187,955)	4,287,802	1,853,304	(147,046,849)	2,938,025	4,452,212	7,390,237	2,753,644	(136,902,968)
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	(96,069)	(96,069)	(481,267)	(1,233,668)	(1,714,935)	-	(1,811,004)
Accumulated depreciation of disposals	-	-	-	-	1,251	12,201	13,452	-	13,452
Revaluation (increments)/decrements	-	-	(495,106)	(495,106)	(1,299,706)	669,632	(630,074)	-	(1,125,180)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	-	-	(591,175)	(591,175)	(1,779,722)	(551,835)	(2,331,557)	-	(2,922,732)
At fair value 30 June 2018	26,414,389	44,068,548	8,158,187	78,641,124	34,906,749	88,921,929	123,828,678	4,193,022	206,662,824
Accumulated depreciation at 30 June 2018	-	-	(861,676)	(861,676)	(13,541,892)	(35,070,191)	(48,612,083)	-	(49,473,759)
	26,414,389	44,068,548	7,296,511	77,779,448	21,364,857	53,851,738	75,216,595	4,193,022	157,189,065

5.2 Property, infrastructure, plant and equipment (cont'd)

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work In Progress	Total plant and equipment
	\$	\$	\$	\$	\$
At fair value 1 July 2017	15,086,693	24,203,269	7,052,589	446,919	46,789,470
Accumulated depreciation at 1 July 2017	(7,468,152)	(4,497,983)	(4,940,014)	-	(16,906,149)
	7,618,541	19,705,286	2,112,575	446,919	29,883,321
<b>Movements in fair value</b>					
Additions	816,037	100,005	230,938	570,984	1,717,964
Contributions	-	-	-	-	-
Revaluation	-	458,389	-	-	458,389
Disposal	(1,247,686)	-	-	-	(1,247,686)
Write-off	-	-	-	(156,293)	(156,293)
Transfers	74,781	246,720	68,600	(390,101)	-
Impairment losses recognised in operating result	-	-	-	-	-
	(356,868)	805,114	299,538	24,590	772,374
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(1,459,624)	(301,067)	(507,774)	-	(2,268,465)
Accumulated depreciation of disposals	979,166	-	-	-	979,166
Revaluation	-	190,701	-	-	190,701
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	(480,458)	(110,366)	(507,774)	-	(1,098,598)
At fair value 30 June 2018	14,729,825	25,008,383	7,352,127	471,509	47,561,844
Accumulated depreciation at 30 June 2018	(7,948,610)	(4,608,349)	(5,447,788)	-	(18,004,747)
	6,781,215	20,400,034	1,904,339	471,509	29,557,097

Notes to the Financial Report  
For the Year To Date 30 June 2018

5.2 Property, infrastructure, plant and equipment (cont'd)  
(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	581,580,267	21,517,582	66,354,367	151,468,883	129,223,132	9,089,893	41,861,844	7,116,433	11,373,180	11,695,972	37,085,963	1,068,367,516
Accumulated depreciation at 1 July 2017	(187,500,037)	(7,159,765)	(29,124,237)	(53,882,920)	(43,967,865)	(2,729,019)	(4,712,412)	(538,631)	(2,014,662)	(5,234,508)	-	(336,864,056)
	<b>394,080,230</b>	<b>14,357,817</b>	<b>37,230,130</b>	<b>97,585,963</b>	<b>85,255,267</b>	<b>6,360,874</b>	<b>37,149,432</b>	<b>6,577,802</b>	<b>9,358,518</b>	<b>6,461,464</b>	<b>37,085,963</b>	<b>731,503,460</b>
<b>Movements in fair value</b>												
Additions	11,840,491	42,389	192,872	21,982	1,188,820	4,480	510,599	354,311	4,942	327,859	8,579,190	23,067,935
Contributions	4,799,181	-	1,416,608	2,849,754	70,000	-	245,599	-	-	49,705	-	9,430,847
Revaluation increments/(decrements)	28,458,322	1,253,893	6,546,872	22,883,757	4,098,238	257,272	7,957,465	847,516	1,044,917	1,065,641	-	74,413,893
Disposal	(1,370,822)	-	(3,020)	(93,188)	(168,559)	-	(28,357)	-	-	(649,944)	-	(2,313,890)
Write-off	-	-	-	-	-	-	-	-	-	-	(2,092,931)	(2,092,931)
Transfers - from WIP	7,482,268	-	1,258,706	396,486	11,854,458	61,364	624,932	-	53,137	380,484	(22,111,835)	-
Transfers - other assets	-	(38,673)	-	32,953	1,621	-	307,235	-	(156,519)	(4,536)	-	142,081
	51,209,440	1,257,609	9,412,038	26,091,744	17,044,578	323,116	9,617,473	1,201,827	946,477	1,169,209	(15,625,576)	102,647,935
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	(13,019,353)	(279,995)	(1,055,112)	(1,713,985)	(2,694,297)	(222,400)	(267,855)	(31,377)	(181,621)	(522,484)	-	(19,988,479)
Accumulated depreciation of disposals	735,575	-	1,460	34,693	100,836	-	28,357	-	-	298,132	-	1,199,053
Revaluation (increments)/decrements	37,842,842	(1,031,140)	8,350,017	(5,627,834)	(5,952,295)	(91,709)	(1,101,052)	294,495	1,018,123	651,679	-	34,353,125
Transfers	-	6,151	-	4,409	(6,461)	-	(8,635)	-	-	4,536	-	-
	25,559,064	(1,304,984)	7,296,365	(7,302,717)	(8,552,217)	(314,109)	(1,349,185)	263,118	836,502	431,863	-	15,563,699
At fair value 30 June 2018	632,789,707	22,775,191	75,766,405	177,560,627	146,267,710	9,413,009	51,479,317	8,318,260	12,319,657	12,865,181	21,460,387	1,171,015,451
Accumulated depreciation at 30 June 2018	(161,940,973)	(8,464,749)	(21,827,872)	(61,185,637)	(52,520,082)	(3,043,128)	(6,061,597)	(275,513)	(1,178,160)	(4,802,645)	-	(321,300,357)
	<b>470,848,734</b>	<b>14,310,442</b>	<b>53,938,533</b>	<b>116,374,990</b>	<b>93,747,628</b>	<b>6,369,881</b>	<b>45,417,720</b>	<b>8,042,747</b>	<b>11,141,497</b>	<b>8,062,536</b>	<b>21,460,387</b>	<b>849,715,094</b>

## 5.2 Property, infrastructure, plant and equipment (cont'd)

### Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

In accordance with Council's policy, the threshold limits have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

### Land under roads

Council recognises land under roads it controls at fair value.

### Depreciation and amortisation

Buildings, land improvements, plant and equipment, infrastructure, and other assets having limited useful lives are systematically depreciated over their useful lives to the Council in a manner which reflects consumption of the service potential embodied in those assets. Estimates of remaining useful lives and residual values are made on a regular basis with major asset classes reassessed annually. Depreciation rates and methods are reviewed annually.

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

Straight line depreciation is charged based on the residual useful life as determined each year.

Depreciation periods used are listed earlier in 5.2 (page 22) and are consistent with the prior year unless otherwise stated.

### Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

### Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, LG Valuation Services (Marcus Hahn, CEO, A.P.I. Reg. No.62901). The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets.

The date of the current valuation is detailed in the following table.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	-	44,068,548	January 2018
Specialised land	-	-	26,414,389	January 2018
Land Improvements	-	-	7,296,511	January 2018
Heritage Buildings	-	-	21,364,857	January 2018
Buildings	-	-	53,851,738	January 2018
Total	-	-	<b>152,996,043</b>	

5.2 Property, infrastructure, plant and equipment (cont'd)

**Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an internal valuation undertaken by Team Leader Strategic Assets.

The date of the current valuation is detailed in the following table.

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	470,848,730	June 2018
Bridges	-	-	14,310,442	June 2018
Footpaths and cycleways	-	-	53,938,533	June 2018
Drainage	-	-	116,374,990	June 2018
Recreational, leisure and community facilities	-	-	93,747,628	June 2018
Waste management	-	-	6,369,881	June 2018
Parks, open space and streetscapes	-	-	45,417,720	June 2018
Aerodromes	-	-	8,042,747	June 2018
Off street car parks	-	-	11,141,496	June 2018
Other infrastructure	-	-	8,062,536	June 2018
<b>Total</b>	<b>-</b>	<b>-</b>	<b>828,254,703</b>	

**Description of significant unobservable inputs into level 3 valuations**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 75% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.05 and \$899.73 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$35 to \$16,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018	2017
<b>Reconciliation of specialised land</b>	<b>\$</b>	<b>\$</b>
Land under roads	26,414,389	179,602,344
<b>Total specialised land</b>	<b>26,414,389</b>	<b>179,602,344</b>

	2018	2017
	\$	\$
<b>5.3 Investments in associates</b>		
<b>Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Goulburn Valley Regional Library Corporation (GVRLC)	1,457,302	1,511,499
<b>Goulburn Valley Regional Library Corporation</b>		
<i>Background</i>		
The Goulburn Valley Regional Library Corporation is an entity which has been established to serve three northern Victorian councils; the Greater Shepparton City Council, Moira Shire Council and the Strathbogie Shire Council. Each Council has two representatives on the Board of the Corporation.		
Each of the member Councils contributes financially to the operation of the Corporation based on the ratio of their population base. Contribution payments are considered a 'fee for service' on a commercial basis and are relative to the services the Corporation provides. The amount of financial contribution does not bring with it any additional voting rights or influence on the library activities and therefore no greater power or control.		
<b>Fair value of Council's investment in GVRLC</b>	<u>1,457,302</u>	<u>1,511,499</u>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	(368,689)	(387,147)
Reported surplus/(deficit) for year	(54,197)	18,458
Transfers (to)/from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus/(deficit) at end of year	<u>(422,886)</u>	<u>(368,689)</u>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	1,493,041	1,493,041
Transfers (to)/from reserves	-	-
Council's share of reserves at end of year	<u>1,493,041</u>	<u>1,493,041</u>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,511,499	1,493,041
Share of surplus/(deficit) for year	(54,197)	18,458
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	<u>1,457,302</u>	<u>1,511,499</u>

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Note 6 People and relationships	2018	2017
6.1 Council and key management remuneration	No.	No.

**(a) Related Parties**

*Parent entity*

Greater Shepparton City Council is the parent entity.

*Associates*

Interest in associates is detailed in Note 5.3.

**(b) Key Management Personnel**

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors		
Councillor Kim O'Keeffe (Mayor - term commenced October 2017)		
Councillor Dinny Adem (Mayor - term expired October 2017)		
Councillor Seema Abdullah		
Councillor Bruce Giovanetti		
Councillor Chris Hazelman		
Councillor Les Oroszvary		
Councillor Dennis Patterson		
Councillor Fern Summer		
Councillor Shelley Sutton		
<b>Total Number of Councillors</b>	9	11
<b>Chief Executive Officer and other Key Management Personnel</b>	6	5
<b>Total Key Management Personnel</b>	<u>15</u>	<u>16</u>

**(c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:	\$	\$
Short-term benefits	1,433,211	1,453,222
Long-term benefits	374,178	147,370
Termination benefits	-	-
<b>Total</b>	<u>1,807,389</u>	<u>1,600,592</u>

The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:

\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	7	8
\$40,000 - \$49,999	1	-
\$60,000 - \$69,999	1	-
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	1	-
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	-	2
\$240,000 - \$249,999	1	-
\$300,000 - \$309,999	2	2
\$320,000 - \$329,999	1	-
	<u>15</u>	<u>16</u>

**(d) Senior Officer Remuneration**

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$145,000

The number of Senior Officers are shown below in their relevant income bands:

Income Range:	2018	2017
	No.	No.
\$145,000 - \$149,999	6	6
\$150,000 - \$159,999	2	2
\$160,000 - \$169,999	1	1
	<u>9</u>	<u>9</u>
	<u>\$</u>	<u>\$</u>
Total Remuneration for the reporting year for Senior Officers included above, amounted to	<u>1,350,040</u>	<u>1,339,278</u>

6.2 Related party disclosure	2018	2017
(a) Transactions with related parties	\$	\$
During the period Council entered into the following transactions with related parties.		
<i>Payments to Goulburn Valley Regional Library Corporation</i>	1,579,780	1,548,804
Annual fees paid for provision of library services to the Council. Library services were provided to Shepparton, Mooroopna and Tatura townships, whilst a mobile library serviced nine additional towns within the municipality of the Greater Shepparton City Council.		
<i>Receipts from Goulburn Valley Regional Library Corporation</i>	62,190	58,356
Annual fees received for provision of financial and human resources services, being accounts payable, accounts receivable, asset management, treasury, financial reporting and payroll services.		
<b>(b) Outstanding balances with related parties</b>		
There were no outstanding balances with related parties.		
<b>(c) Loans to/from related parties</b>		
There were no loans to/from related parties.		
<b>(d) Commitments to/from related parties</b>		
There were no commitments to/from related parties.		



**Note 7 Managing uncertainties**

**7.1 Contingent assets and liabilities**

**Contingent liabilities**

**Superannuation**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 8.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Contingent assets and contingent liabilities are not recognised in the Balance Sheet, but are disclosed and if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable, respectively.

**7.2 Change in accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

*Financial Instruments - Disclosures (AASB 7) (applies 2018/19)*

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed.

*Financial Instruments (AASB 9) (applies 2018/19)*

The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.

*Revenue from contracts with customers (AASB 15) (applies 2019/20 for LG sector)*

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

*Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities (AASB 2016-7) (applies 2019/20)*

This Standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.

*Leases (AASB 16) (applies 2019/20)*

The classification of leases as either finance leases or operating leases is eliminated for lessees. Leases will be recognised in the Balance Sheet by capitalising the present value of the minimum lease payments and showing a 'right-of-use' asset, while future lease payments will be recognised as a financial liability. The nature of the expense recognised in the profit or loss will change. Rather than being shown as rent, or as leasing costs, it will be recognised as depreciation on the 'right-of-use' asset, and an interest charge on the lease liability. The interest charge will be calculated using the effective interest method, which will result in a gradual reduction of interest expense over the lease term.

*Income of Not-for-Profit Entities (AASB 1058) (applies 2019/20)*

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable to not-for-profit entity to further its objectives.

### 7.3 Financial instruments

#### (a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in the Notes of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

#### (b) Market risk

Market risk is the risk that the fair value or future cash flows of council financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

##### *Interest rate risk*

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. Council manages interest rate risk by adopting an investment policy that ensures:

- diversification of investment product;
- monitoring of return on investment; and
- benchmarking of returns and comparison with budget.

There has been no significant change in the Council's exposure, or its objectives, policies and processes for managing interest rate risk or the methods used to measure this risk from the previous reporting period.

Interest rate movements have not been sufficiently significant during the year to have an impact on the Council's year end result.

#### (c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
  - council may require collateral where appropriate; and
  - council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.
- Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

There are no material financial assets which are individually determined to be impaired.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 7.1.

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

### 7.3 Financial instruments (cont'd)

#### (d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet, and is deemed insignificant based on prior periods' data and current assessment of risk.

There has been no significant change in Council's exposure, or its objectives, policies and processes for managing liquidity risk or the methods used to measure this risk from the previous reporting period.

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 4.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

#### (e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12 months:

- A parallel shift of + 1.0% and -1.0% in market interest rates (AUD) from year-end rates of 2.17%.

These movements will not have a material impact on the valuation of Council's financial assets and liabilities, nor will they have a material impact on the results of Council's operations.

### 7.4 Fair value measurement

#### Fair value hierarchy

Council's financial assets and liabilities are not valued in accordance with the fair value hierarchy, Council's financial assets and liabilities are measured at amortised cost.

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards.

AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within a fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

#### Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at depreciated replacement cost. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at depreciated replacement cost to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

#### 7.4 Fair value measurement (cont'd)

##### Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

#### 7.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report.

#### Note 8 Other matters

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
<b>8.1 Reserves</b>			
<b>Asset revaluation reserves</b>			
<b>2018</b>			
<b>Property</b>			
Land - Specialised	3,321,720	(3,321,720)	-
Land - Non-Specialised	1,572,450	4,333,121	5,905,571
Land Improvements	4,539,888	1,116,932	5,656,820
Heritage Buildings	338,673	1,050,469	1,389,142
Buildings	2,821,193	4,384,371	7,205,564
	<b>12,593,924</b>	<b>7,563,173</b>	<b>20,157,097</b>
<b>Plant &amp; Equipment</b>			
Artwork and Regalia	13,516,054	649,090	14,165,144
	<b>13,516,054</b>	<b>649,090</b>	<b>14,165,144</b>
<b>Infrastructure</b>			
Roads	343,535,621	66,301,162	409,836,783
Bridges	18,819,304	222,753	19,042,057
Footpaths and cycleways	37,805,323	14,896,889	52,702,212
Drainage	43,113,075	17,255,923	60,368,998
Recreational, leisure and community facilities	53,821,354	(1,854,057)	51,967,297
Waste management	228,141	165,563	393,704
Parks, open space and streetscapes	15,030,807	6,856,413	21,887,220
Aerodromes	1,128,645	1,142,011	2,270,656
Offstreet car parks	5,183,777	2,063,040	7,246,817
Other infrastructure	1,130,984	1,717,320	2,848,304
	<b>519,797,031</b>	<b>108,767,017</b>	<b>628,564,048</b>
<b>Total asset revaluation reserves</b>	<b>545,907,009</b>	<b>116,979,280</b>	<b>662,886,289</b>
<b>2017</b>			
<b>Property</b>			
Land - Specialised	3,321,720	-	3,321,720
Land - Non-Specialised	1,572,450	-	1,572,450
Land Improvements	4,539,888	-	4,539,888
Heritage Buildings	338,673	-	338,673
Buildings	2,821,193	-	2,821,193
	<b>12,593,924</b>	<b>-</b>	<b>12,593,924</b>
<b>Plant &amp; Equipment</b>			
Artwork and Regalia	13,516,054	-	13,516,054
	<b>13,516,054</b>	<b>-</b>	<b>13,516,054</b>
<b>Infrastructure</b>			
Roads	343,535,621	-	343,535,621
Bridges	17,826,478	992,826	18,819,304
Footpaths and cycleways	33,335,296	4,470,027	37,805,323
Drainage	31,855,019	11,258,056	43,113,075
Recreational, leisure and community facilities	53,821,354	-	53,821,354
Waste management	228,141	-	228,141
Parks, open space and streetscapes	15,030,807	-	15,030,807
Aerodromes	1,128,645	-	1,128,645
Offstreet car parks	5,183,777	-	5,183,777
Other infrastructure	1,130,984	-	1,130,984
	<b>503,076,122</b>	<b>16,720,909</b>	<b>519,797,031</b>
<b>Total asset revaluation reserves</b>	<b>529,186,100</b>	<b>16,720,909</b>	<b>545,907,009</b>

The asset revaluation reserve is used to record the increased (net) value of Council's assets over time.

	2018	2017
	\$	\$
<b>8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
<b>Surplus/(deficit) for the year</b>	23,792,998	27,206,849
Depreciation/amortisation	24,067,949	22,338,312
Profit/(loss) on disposal of property, infrastructure, plant and equipment	825,045	1,246,612
Contributions - Non-monetary assets	(10,763,081)	(5,077,083)
Finance costs	1,142,301	614,481
Share of net (profits) or loss of associates and joint ventures	54,197	(18,458)
Net write-off of intangibles	754,046	-
Project costs expended on non-council assets	2,258,161	-
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,766,919)	(1,243,072)
(Increase)/decrease in prepayments	(2,706)	89,300
Increase/(decrease) in accrued income	(364,470)	(88,357)
Increase/(decrease) in trade and other payables	4,821,228	(3,766,144)
Increase/decrease in other liabilities	119,556	(376,841)
(Increase)/decrease in inventories	(46,215)	(229)
Increase/(decrease) in provisions	(328,189)	(671,627)
Increase/(decrease) in landfill provisions	(556,755)	(99,327)
(Increase)/decrease in other assets	(1,000)	1,086,771
Net cash provided by/(used in) operating activities	<b>44,006,146</b>	<b>41,241,187</b>

### 8.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5% as required under Superannuation Guarantee legislation).

#### Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

#### Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.5% pa  
Salary information 3.5% pa  
Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at 30 June 2018 was 106.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

### 8.3 Superannuation (cont'd)

#### **Employer contributions**

##### **Regular contributions**

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

##### **Funding calls**

If the Defined Benefit category is in an unsatisfactory financial position at an actuarial investigation or the Defined Benefit category's VBI is below its shortfall limit at any time other than the date of the actuarial investigation, the Defined Benefit category has a shortfall for the purposes of SPS 160 and the Fund is required to put a plan in place so that the shortfall is fully funded within three years of the shortfall occurring. The Fund monitors its VBI on a quarterly basis and the Fund has set its shortfall limit at 97%.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

#### **2017 triennial actuarial investigation surplus amounts**

The Fund's triennial investigation as at 30 June 2017 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$69.8 million
- A total service liability surplus of \$193.5 million.
- A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. Council was notified of the 30 June 2017 VBI during August 2017.

#### **2018 interim actuarial investigation**

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in October 2018.