

**DRAFT**

**Greater Shepparton City Council  
ANNUAL FINANCIAL REPORT**

*For the Period Ended 30 June 2019*

**DRAFT**

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**  
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## 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*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Matthew Jarvis CPA  
**Principal Accounting Officer**

**Date :** 17-September-2019  
Shepparton

In our opinion the accompanying financial statements present fairly the financial transactions of Greater Shepparton City Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

As at the date of signing, we are not aware of any circumstances that 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.

Cr Kim O'Keeffe - Mayor  
**Councillor**

**Date :** 17-September-2019  
Shepparton

Cr Shelly Sutton - Deputy Mayor  
**Councillor**

**Date :** 17-September-2019  
Shepparton

Peter Harriott  
**Chief Executive Officer**

**Date :** 17-September-2019  
Shepparton

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## Comprehensive Income Statement For the Period Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
<b>Income</b>			
Rates and charges	3.1	77,487	74,577
Statutory fees and fines	3.2	3,029	3,265
User fees	3.3	18,873	17,694
Grants - operating	3.4	25,418	23,412
Grants - capital	3.4	8,566	5,570
Contributions - monetary	3.5	5,026	5,269
Contributions - non monetary	3.5	9,187	10,763
Other income	3.7	2,773	2,313
<b>Total income</b>		<b>150,359</b>	<b>142,864</b>
<b>Expenses</b>			
Employee costs	4.1	(49,917)	(46,905)
Materials and services	4.2	(46,743)	(44,619)
Depreciation	4.3	(26,182)	(24,068)
Bad and doubtful debts	4.4	(108)	(265)
Net gain / (loss) on disposal of property, infrastructure, plant and equipment	3.6	(830)	(825)
Borrowing costs	4.5	(1,009)	(1,142)
Share of net loss of associates and joint ventures	6.3	(65)	(54)
Other expenses	4.6	(653)	(1,192)
<b>Total expenses</b>		<b>(125,507)</b>	<b>(119,071)</b>
<b>Surplus for the year</b>		<b>24,852</b>	<b>23,793</b>
<b>Other items of income and expense included in net result</b>			
Net loss on revaluation of land under roads *		-	(150,980)
<b>Surplus/(deficit) for the year</b>		<b>24,852</b>	<b>(127,187)</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	9.1	-	116,979
<b>Total comprehensive result</b>		<b>24,852</b>	<b>(10,207)</b>

\* 2018 net loss on revaluation of land under roads resulted from a change in methodology employed by Council's independent valuers in determining the discount factors applicable to urban, suburban and rural land under roads. Further details can be found in the 2017/18 Annual Report.

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

**Balance Sheet**  
**As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	32,742	23,810
Trade and other receivables	5.1	7,721	8,976
Other financial assets	5.1	32,000	31,500
Inventories	5.2	107	120
Non-current assets classified as held for sale	6.1	55	248
Other assets	5.2	1,698	1,375
<b>Total current assets</b>		<b><u>74,323</u></b>	<b><u>66,029</u></b>
<b>Non-current assets</b>			
Investments in associates, joint arrangements and subsidiaries	6.3	1,393	1,457
Property, infrastructure, plant and equipment	6.2	1,056,130	1,036,461
<b>Total non-current assets</b>		<b><u>1,057,523</u></b>	<b><u>1,037,917</u></b>
<b>Total assets</b>		<b><u>1,131,846</u></b>	<b><u>1,103,947</u></b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	13,479	11,041
Trust funds and deposits	5.3	2,805	2,836
Provisions	5.5	9,762	9,221
Interest-bearing liabilities	5.4	1,429	1,362
<b>Total current liabilities</b>		<b><u>27,475</u></b>	<b><u>24,460</u></b>
<b>Non-current liabilities</b>			
Provisions	5.5	8,572	7,108
Interest-bearing liabilities	5.4	15,641	17,074
<b>Total non-current liabilities</b>		<b><u>24,213</u></b>	<b><u>24,182</u></b>
<b>Total liabilities</b>		<b><u>51,688</u></b>	<b><u>48,641</u></b>
<b>Net assets</b>		<b><u>1,080,158</u></b>	<b><u>1,055,306</u></b>
<b>Equity</b>			
Accumulated surplus		417,272	392,420
Reserves	9.1	662,886	662,886
<b>Total Equity</b>		<b><u>1,080,158</u></b>	<b><u>1,055,306</u></b>

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

### Statement of Changes in Equity For the Period Ended 30 June 2019

2019	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000
Balance at beginning of the financial year		1,055,306	392,420	662,886
Surplus for the year		24,852	24,852	-
<b>Balance at end of the financial year</b>		<b>1,080,158</b>	<b>417,272</b>	<b>662,886</b>

2018		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000
Balance at beginning of the financial year		1,065,514	519,607	545,907
Deficit for the year		(127,187)	(127,187)	-
Net asset revaluation increment	6.2	116,979	-	116,979
<b>Balance at end of the financial year</b>		<b>1,055,306</b>	<b>392,420</b>	<b>662,886</b>

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



**Statement of Cash Flows**  
**For the Period Ended 30 June 2019**

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		77,556	72,384
Statutory fees and fines		2,575	3,265
User fees		18,873	17,330
Grants - operating		25,418	23,412
Grants - capital		8,566	5,570
Contributions - monetary		5,026	5,269
Interest received		1,136	812
Trust funds and deposits taken / (repaid)		(31)	120
Other receipts		3,483	1,502
Net GST Payment		(579)	1,169
Employee costs		(48,839)	(46,359)
Materials and services		(43,714)	(40,466)
<b>Net cash provided by operating activities</b>	9.2	<u>49,470</u>	<u>44,006</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(38,203)	(29,122)
Proceeds from sale of property, infrastructure, plant and equipment		481	563
Payments for investments		(500)	(14,500)
<b>Net cash used in investing activities</b>		<u>(38,222)</u>	<u>(43,059)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(950)	(1,142)
Repayment of borrowings		(1,366)	(1,299)
<b>Net cash used in financing activities</b>		<u>(2,316)</u>	<u>(2,441)</u>
Net increase/(decrease) in cash and cash equivalents		8,932	(1,494)
Cash and cash equivalents at the beginning of the financial year		23,810	25,303
<b>Cash and cash equivalents at the end of the financial year</b>		<u>32,742</u>	<u>23,810</u>
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

**Statement of Capital Works  
For the Period Ended 30 June 2019**

	Note	2019 \$'000	2018 \$'000
<b>Property</b>			
Land		468	-
Land improvements		905	585
Buildings		5,220	4,877
<b>Total property</b>		<b>6,593</b>	<b>5,463</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		3,096	1,111
Fixtures, fittings and furniture		332	717
Computers and telecommunications		1,139	307
<b>Total plant and equipment</b>		<b>4,567</b>	<b>2,135</b>
<b>Infrastructure</b>			
Roads		12,846	12,831
Bridges		662	389
Footpaths and cycleways		843	603
Drainage		343	265
Recreational, leisure and community facilities		2,133	4,260
Waste management		8,975	2,831
Parks, open space and streetscapes		1,427	856
Aerodromes		36	369
Off street car parks		69	46
Other infrastructure		265	-
<b>Total infrastructure</b>		<b>27,599</b>	<b>22,448</b>
<b>Total capital works expenditure</b>		<b>38,759</b>	<b>30,046</b>
<b>Represented by:</b>			
New asset expenditure		6,282	8,270
Asset renewal expenditure		26,405	18,355
Asset expansion expenditure		1,349	156
Asset upgrade expenditure		4,723	3,265
<b>Total capital works expenditure</b>		<b>38,759</b>	<b>30,046</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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)

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 19 June 2018. The Budget was based on assumptions that were relevant at the time of adoption. 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 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
<b>Income</b>					
Rates and charges	77,427	77,487	60	0.1%	
Statutory fees and fines	3,395	3,029	(366)	(10.8%)	1
User fees	18,748	18,873	125	0.7%	
Grants - operating	17,602	25,418	7,816	44.4%	2
Grants - capital	8,700	8,566	(134)	(1.5%)	
Contributions - monetary	2,269	5,026	2,757	121.5%	3
Contributions - non monetary	13,842	9,187	(4,655)	(33.6%)	4
Net loss on disposal of property, infrastructure, plant and equipment	(150)	(830)	(680)	453.3%	5
Share of net losses of associates and joint ventures	-	(65)	(65)	0.0%	
Other income	1,992	2,773	781	39.2%	6
<b>Total income</b>	<b>143,825</b>	<b>149,464</b>	<b>5,639</b>	<b>3.9%</b>	
<b>Expenses</b>					
Employee costs	49,543	49,917	(374)	(0.8%)	
Materials and services	49,746	46,743	3,003	6.0%	7
Depreciation and amortisation	23,603	26,182	(2,579)	(10.9%)	8
Bad and doubtful debts	174	108	66	37.9%	
Borrowing costs	1,002	1,009	(7)	(0.7%)	
Other expenses	587	653	(66)	(11.2%)	
<b>Total expenses</b>	<b>124,655</b>	<b>124,612</b>	<b>43</b>	<b>0.0%</b>	
<b>Surplus/(deficit) for the year</b>	<b>19,170</b>	<b>24,852</b>	<b>5,682</b>	<b>29.6%</b>	

**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Statutory Fees and Fines	Less than budget by \$366,000 due to lower valued Building (\$129,000) and Planning (\$247,000) permits issued.
2	Grants - Operating	More than budget by \$7.82 million largely due to the early receipt of 50% of the 2019/2020 Federal Financial Assistance Grant Funding allocation (\$6.57million)
3	Contributions - monetary	More than budget by \$2.76 million due to increased contributions for projects including Karibok Park retardation basin and recreational areas (\$1.82 million). Also due to increased developer contributions for Recreational Land Fund, Cash in Lieu of Car Parks, and estate developments (\$573,000).
4	Contributions - Non monetary	Less than budget by \$4.66 million largely due to the timing of asset contributions from developers which are often difficult to predict. Largest variances relate to Grammar Park Gardens stages 5 & 6 (\$1.61 million), Tatura Waters stage 1 (\$1.58 million) and Woodlands stage 2 (\$689,000).
5	Net loss on disposal of property, infrastructure, plant and equipment	More than budget by \$680,000 largely due to the write down of assets removed (\$771,000) offset by additional sales of plant items due to prior year replacement delays (\$91,000).
6	Other income	More than budget by \$781,000 largely due to additional interest income (\$672,000) from a higher level of investment and Solar Panel rebates (\$77,000).
7	Materials and services	Less than budget by \$3.0 million largely due to operational savings in Waste Operations including kerbside organics contract payments (\$1.01 million), and savings in road and drainage maintenance (\$550,000).
8	Depreciation	More than budget by \$2.58 million due to asset revaluations in 2017/2018 which resulted in an increase in asset values.

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
<b>Property</b>					
Land	649	468	(181)	(27.9%)	1
Land improvements	1,206	905	(301)	(25.0%)	2
Buildings	9,929	5,220	(4,709)	(47.4%)	3
<b>Total property</b>	<b>11,784</b>	<b>6,593</b>	<b>(5,191)</b>	<b>(44.1%)</b>	
<b>Plant, machinery and equipment</b>					
Plant, machinery and equipment	2,795	3,096	301	10.8%	4
Fixtures, fittings and furniture	349	332	(17)	(4.9%)	
Computers and telecommunications	1,405	1,139	(266)	(18.9%)	5
<b>Total plant and equipment</b>	<b>4,549</b>	<b>4,567</b>	<b>18</b>	<b>0.4%</b>	
<b>Infrastructure</b>					
Roads	16,219	12,846	(3,373)	(20.8%)	6
Bridges	450	662	212	47.1%	7
Footpaths and cycleways	1,641	843	(798)	(48.6%)	8
Drainage	1,076	343	(733)	(68.1%)	9
Recreational, leisure and community facilities	1,624	2,133	509	31.3%	10
Waste management	5,510	8,975	3,465	62.9%	11
Parks, open space and streetscapes	1,646	1,427	(219)	(13.3%)	12
Aerodromes	399	36	(363)	(91.0%)	13
Off street car parks	65	69	4	6.2%	
Other infrastructure	392	265	(127)	(32.4%)	14
<b>Total infrastructure</b>	<b>29,023</b>	<b>27,599</b>	<b>(1,424)</b>	<b>(4.9%)</b>	
Project Management Office	1,000	-	(1,000)	(100.0%)	15
<b>Total capital works expenditure</b>	<b>46,356</b>	<b>38,759</b>	<b>(7,597)</b>	<b>(16.4%)</b>	
<b>Represented by:</b>					
New asset expenditure	12,014	6,282	(5,732)	(47.7%)	
Asset renewal expenditure	23,385	26,405	3,020	12.9%	
Asset expansion expenditure	8,362	1,349	(7,013)	(83.9%)	
Asset upgrade expenditure	2,595	4,723	2,128	82.0%	
<b>Total capital works expenditure</b>	<b>46,356</b>	<b>38,759</b>	<b>(7,597)</b>	<b>(16.4%)</b>	

(i) Explanation of material variations

Variance	Item	Explanation
1	Land	Less than budget by \$181,000 largely due to deferral of land acquisition in North Growth Corridor structure plan (\$605,000) partially offset by the acquisition of land for the Southdown Precinct structure plan (\$430,000).
2	Land Improvements	Less than budget by \$301,000 largely due to a reduction in scope for the Saleyards Trade Waste Treatment project (\$353,000).
3	Buildings	Less than budget by \$4.71 million mainly due to the carry forward of New Shepparton Art Museum construction works into future financial years (\$4.31 million).
4	Plant, Machinery and Equipment	More than budget by \$301,000 largely due to the carry forward of renewal of large plant items from prior year (2017/2018) into 2018/2019 (\$292,000).
5	Computers and Telecommunications	Less than budget by \$266,000 largely due to the carry forward of the Primary Compute and Storage Refresh project (\$78,000) and the Uninterrupted Power Supply project (\$75,000) into future financial years.

Note 1 Performance against budget (cont'd)

6	Roads	Less than budget by \$3.37 million mainly due to the carry forward of Maude Street Upgrade - High Street to Ashenden Street (\$1.78 million) and Balaclava Verney Dookie Road Intersection (\$1.15 million) projects into 2019/2020.
7	Bridges	More than budget by \$212,000 mainly due to additional works on Toolamba Bridge as per Fixing Country Roads Grant funding.
8	Footpaths and Cycleways	Less than budget by \$798,000 largely due to the carry forward of Dookie Rail Trail - Stage 2 works (\$531,000) and Shared Path Extension Riverconnect Routes 3 and 5 (\$216,000) into 2019/2020.
9	Drainage	Less than budget by \$733,000 mainly due to the carry forward of North Growth Corridor structure plan drainage works (\$401,000) and Marlboro Precinct structure plan drainage works (\$236,000) into 2019/2020.
10	Recreational, Leisure and Community Facilities	More than budget by \$509,000 due to the Central Park Netball Court Upgrade as per funding from Sports Victoria's Country Football Netball Program (\$338,000) and remaining works at the Greater Shepparton Regional Sports Precinct as per the Federal funding agreement (\$165,000).
11	Waste Management	More than budget by \$3.47 million mainly due to the carry forward of Cosgrove Landfill 3 Cell 1 Construction works from 2017/2018 into 2018/2019 (\$3.7 million).
12	Parks, open space and streetscapes	Less than budget by \$219,000 largely due to delays on upgrade works to Kialla Park Recreation Reserve caused by wet weather.
13	Aerodromes	Less than budget by \$363,000 largely due to the carry forward of Shepparton Aerodrome Plane Parking Area CASA Compliance works into 2019/2020 (\$377,000).
14	Other Infrastructure	Less than budget by \$127,000 largely due to unspent contingency on the Installation of Solar Panels on Council Buildings project.
15	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.

**Note 2.1 Analysis of Council results by program**

Council delivers its functions and activities through the following Directorates.

**Community**

The Community Directorate includes services for Community, Children & Youth, Active Living, Performing Arts, Shepparton Art Museum, Library and Emergency Management.

**Corporate Services**

The Corporate Services Directorate includes Finance, Rates & Valuations, Information and Communication Technology, Marketing and Communications, People and Development, Citizen Services and Corporate Governance.

**Infrastructure**

The Infrastructure Directorate services includes Works and Waste, Projects, Parks, Sport and Recreation and managing Strategic Assets.

**Sustainable Development**

The Sustainable Development Directorate provides Building and Planning, Environment and Economic Development services.

**Analysis of Council results by program**

**Summary of revenues, expenses, assets and capital expenses by program**

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
Community	20,059	(29,248)	(9,189)	11,451	1,393
Corporate Services	91,572	(44,623)	46,949	9,941	74,323
Infrastructure	35,103	(40,577)	(5,474)	11,994	1,056,130
Sustainable Development	3,625	(11,059)	(7,434)	598	-
	<b>150,359</b>	<b>(125,507)</b>	<b>24,852</b>	<b>33,984</b>	<b>1,131,846</b>
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>					
Community	19,600	(28,720)	(9,120)	10,448	1,457
Corporate Services	90,329	(39,248)	51,081	9,399	65,660
Infrastructure *	29,509	(191,293)	(161,784)	8,798	1,036,830
Sustainable Development	3,426	(10,790)	(7,364)	338	-
	<b>142,864</b>	<b>(270,051)</b>	<b>(127,187)</b>	<b>28,983</b>	<b>1,103,947</b>

\* 2018 Infrastructure expenses includes net loss on revaluation of land under roads (\$150.98m)

<b>Note 3 Funding for the delivery of our services</b>	<b>2019</b>	<b>2018</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</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 2018/19 was \$10.228 billion (2017/18 \$9.587 billion).

General rates	60,739	56,330
Municipal charge	5,890	7,820
Waste management charge	9,753	9,428
Supplementary rates and rate adjustments	868	813
Interest on rates and charges	237	186
<b>Total rates and charges</b>	<b>77,487</b>	<b>74,577</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018 and the valuation was first applied in the rating year commencing 1 July 2018. General revaluations will occur annually from 2018/19 financial year.

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.

### 3.2 Statutory fees and fines

Infringements and costs	1,302	1,405
Town planning fees	518	638
Land information certificates	64	63
Permits	1,143	1,129
Other	2	30
<b>Total statutory fees and fines</b>	<b>3,029</b>	<b>3,265</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.

### 3.3 User fees

Aged and Disability services	748	649
Animal Control	170	98
Aquatic Facilities	3,543	3,564
Arts and Culture	128	121
Children's Services	1,856	2,290
Development Facilities	741	356
Environmental Health	8	20
Financial Services	346	536
Parking	1,188	1,259
Recreation Facilities	1,042	1,313
Saleyards	1,747	1,283
Tourism	1,029	1,102
Waste Management services	5,340	4,490
Other	987	613
<b>Total user fees</b>	<b>18,873</b>	<b>17,694</b>

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



Note 3 Funding for the delivery of our services (cont'd)	2019	2018
3.4 Funding from other levels of government	\$'000	\$'000
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	18,774	20,784
State funded grants	15,210	8,198
<b>Total grants received</b>	<b>33,984</b>	<b>28,982</b>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Federal Financial Assistance Grants	9,682	9,335
People and Development	-	3
Active Living	-	5
Children's and Youth services	3,176	2,292
Neighbourhoods	2,464	2,355
Projects	3,159	3,065
Environmental Health	7	6
<b>Recurrent - State Government</b>		
Neighbourhoods	996	1,535
Children's and Youth services	4,025	3,552
Environmental Health	181	97
Arts and Culture	220	120
Emergency Management	120	120
Economic Development	3	3
Saleyards	-	6
Citizen Services	145	-
<b>Total recurrent operating grants</b>	<b>24,178</b>	<b>22,494</b>
<b>Non-recurrent - Commonwealth Government</b>		
Children's and Youth services	10	-
Saleyards	94	-
Works and Waste	8	-
<b>Non-recurrent - State Government</b>		
Children's and Youth services	60	123
Arts and Culture	222	146
Neighbourhoods	105	169
Active Living	53	30
Environment	7	114
Finance and Rates	110	62
Economic Development	273	89
Planning and Building	127	-
Infrastructure	-	29
Recreation and Parks	96	90
Works and Waste	70	66
Citizen Services	5	-
<b>Total non-recurrent operating grants</b>	<b>1,240</b>	<b>918</b>
<b>Total operating grants</b>	<b>25,418</b>	<b>23,412</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	-	2,958
<b>Total recurrent capital grants</b>	<b>-</b>	<b>2,958</b>
<b>Non-recurrent - Commonwealth Government</b>		
Projects	174	-
Infrastructure	-	16
Recreation and Parks	-	749
<b>Non-recurrent - State Government</b>		
Arts and Culture	4,500	-
Projects	3,628	-
Infrastructure	-	231
Recreation and Parks	264	198
Buildings	-	1,238
Plant, machinery and equipment	-	180
<b>Total non-recurrent capital grants</b>	<b>8,566</b>	<b>2,612</b>
<b>Total capital grants</b>	<b>8,566</b>	<b>5,570</b>

<b>Note 3 Funding for the delivery of our services (cont'd)</b>	<b>2019</b>	<b>2018</b>
<b>3.4 (c) Unspent grants received on condition that they be spent in a specific manner</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at start of year	6,837	8,245
Received during the financial year and remained unspent at balance date	8,739	6,577
Received in prior years and spent during the financial year	(6,704)	(7,985)
Balance at year end	<u>8,872</u>	<u>6,837</u>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal).

### 3.5 Contributions

Monetary	5,026	5,269
Non-monetary	9,187	10,763
<b>Total contributions</b>	<u>14,213</u>	<u>16,033</u>

*Contributions of non monetary assets were received in relation to the following asset classes.*

Land	228	1,332
Roads	4,336	4,799
Other infrastructure	4,623	4,632
<b>Total non-monetary contributions</b>	<u>9,187</u>	<u>10,763</u>

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

### 3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	481	563
Written down value of assets disposed	(1,311)	(1,388)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(830)</u>	<u>(825)</u>

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

### 3.7 Other income

Interest	1,252	812
Rent	431	418
Other	1,090	1,083
<b>Total other income</b>	<u>2,773</u>	<u>2,313</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.

<b>Note 4 The cost of delivering services</b>	<b>2019</b>	<b>2018</b>
<b>4.1 (a) Employee costs</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	44,578	41,628
WorkCover	733	593
Superannuation	4,398	4,493
Fringe benefits tax	209	191
<b>Total employee costs</b>	<b>49,917</b>	<b>46,905</b>
<b>(b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	137	141
Employer contributions - other funds	10	10
	<b>147</b>	<b>151</b>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,742	2,970
Employer contributions - other funds	1,509	1,372
	<b>4,251</b>	<b>4,342</b>
Employer contributions payable at reporting date.	133	-
Refer to note 9.3 for further information relating to Council's superannuation obligations.		
<b>4.2 Materials and services</b>		
Utilities	2,907	2,537
Training and Development	610	490
Information Technology	2,092	1,878
Building Maintenance	1,725	1,562
Motor Vehicle Expenses	1,807	1,298
General Maintenance	3,769	4,160
Insurance	803	954
Waste Management	9,997	7,774
Advertising and Marketing	1,546	1,588
Consultants	1,627	1,334
EPA Levy	1,486	956
Legal Fees	1,290	1,246
Sponsorships & Contributions	3,433	2,794
Non Council Asset Works	1,880	2,749
Operational Supplies and Services	11,771	13,299
<b>Total materials and services</b>	<b>46,743</b>	<b>44,619</b>

Note 4 The cost of delivering services (cont'd)	2019	2018
4.3 Depreciation	\$'000	\$'000
Property	1,952	1,811
Plant and equipment	2,239	2,268
Infrastructure	21,991	19,988
<b>Total depreciation</b>	<b>26,182</b>	<b>24,068</b>

Refer to note 6.2 for a more detailed breakdown of depreciation charges and accounting policy.

#### 4.4 Bad and doubtful debts

Parking fine debtors	105	243
Rates debtors	-	5
Other debtors	3	17
<b>Total bad and doubtful debts</b>	<b>108</b>	<b>265</b>

#### Movement in provisions for doubtful debts

Balance at the beginning of the year	(277)	(116)
New provisions recognised during the year	(105)	(426)
Amounts already provided for and written off as uncollectible	85	265
Adjustment due to recalculation in line with AASB 9	12	-
Balance at end of year	<b>(285)</b>	<b>(277)</b>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

#### 4.5 Borrowing costs

Interest - Borrowings	1,009	1,142
<b>Total borrowing costs</b>	<b>1,009</b>	<b>1,142</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.

#### 4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	46	68
Auditors' remuneration - Internal	93	24
Councillors' allowances	310	304
Operating lease rentals	204	42
Write down of intangible assets	-	754
<b>Total other expenses</b>	<b>653</b>	<b>1,192</b>

Note 5 Our financial position	2019	2018
5.1 Financial assets	\$'000	\$'000
<b>(a) Cash and cash equivalents</b>		
Cash on hand	10	10
Cash at bank	6,232	7,300
Term deposits	26,500	16,500
<b>Total cash and cash equivalents</b>	<b>32,742</b>	<b>23,810</b>
<b>(b) Other financial assets</b>		
Term deposits - current	32,000	31,500
<b>Total other financial assets</b>	<b>32,000</b>	<b>31,500</b>
<b>Total financial assets</b>	<b>64,742</b>	<b>55,310</b>

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

- Trust funds and deposits (Note 5.3)	2,805	2,836
- Funds held on a statutory basis	2,360	2,360
Total restricted funds	5,165	5,196
Total unrestricted cash and cash equivalents	27,577	18,613

**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	5,516	5,524
- Conditional grants unspent (Note 3.4(c))	8,872	6,837
Total funds subject to intended allocations	14,388	12,361

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less.

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**

**Current**

*Statutory receivables*

Rates debtors	2,666	2,735
Infringement debtors	1,400	1,034
Provision for doubtful debts - infringements	(267)	(247)
Net GST receivable	1,748	1,169

*Non statutory receivables*

Other debtors	2,192	4,315
Provision for doubtful debts - other debtors	(18)	(30)

**Total trade and other receivables** **7,721** **8,976**

Short term receivables are carried at invoice amount. Long term receivables are carried at amortised cost using the effective interest rate method.

**(d) Ageing of Receivables**

The ageing of the Council's trade and other receivables (excluding statutory receivables) was:

Current (not yet due)	1,906	1,229
Past due by up to 30 days	153	2,034
Past due between 31 and 60 days	34	96
Past due between 61 and 90 days	17	237
Past due by more than 91 days	82	719
Total trade and other receivables	2,192	4,315

**(e) Provision for doubtful debts**

At balance date, other debtors included sundry debtors with a nominal value of \$2,192,238 (2018: \$4,339,987). In determining the value of the provision for doubtful debts required, an expected credit loss model was used, incorporating a combination of historical trends, knowledge of individual issues and forward-looking expected losses. The amount of the provision raised against these debtors was \$18,085 (2018: \$30,000). Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

<b>Note 5 Our financial position (cont'd)</b>	<b>2019</b>	<b>2018</b>
<b>5.2 Non-financial assets</b>	<b>\$'000</b>	<b>\$'000</b>
<b>(a) Inventories</b>		
Inventories held for distribution	107	120
<b>Total inventories</b>	<b>107</b>	<b>120</b>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

**(b) Other assets**

Prepaid Expenses	899	677
Accrued income	798	697
Other	1	1
<b>Total other assets</b>	<b>1,698</b>	<b>1,375</b>

**5.3 Payables**

**(a) Trade and other payables**

Trade payables	2,240	1,833
Prepaid income	142	306
Accrued expenses	8,961	8,665
Other payables	2,136	237
<b>Total trade and other payables</b>	<b>13,479</b>	<b>11,041</b>

**(b) Trust funds and deposits**

Refundable deposits	2,147	2,127
Fire services levy	257	314
Retention amounts	401	395
<b>Total trust funds and deposits</b>	<b>2,805</b>	<b>2,836</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.

<b>Note 5 Our financial position (cont'd)</b>	<b>2019</b>	<b>2018</b>
<b>5.4 Interest-bearing liabilities</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Borrowings - secured	1,429	1,362
	<u>1,429</u>	<u>1,362</u>
<b>Non-current</b>		
Borrowings - secured	15,641	17,074
	<u>15,641</u>	<u>17,074</u>
<b>Total</b>	<b><u>17,070</u></b>	<b><u>18,436</u></b>

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

The maturity profile for Council's borrowings is:

Not later than one year	1,429	1,362
Later than one year and not later than five years	6,484	6,170
Later than five years	9,157	10,904
	<u>17,070</u>	<u>18,436</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 is 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.

#### 5.5 Provisions

	<b>Employee</b>	<b>Landfill restoration</b>	<b>Total</b>
<b>2019</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Balance at beginning of the financial year	10,192	6,137	16,329
Additional provisions	4,620	1,631	6,251
Amounts used	(4,102)	(556)	(4,658)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	412	(1)	411
Balance at the end of the financial year	<u>11,123</u>	<u>7,211</u>	<u>18,334</u>
<b>2018</b>			
Balance at beginning of the financial year	10,520	6,694	17,214
Additional provisions	3,874	857	4,731
Amounts used	(4,189)	(929)	(5,118)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(13)	(485)	(498)
Balance at the end of the financial year	<u>10,192</u>	<u>6,137</u>	<u>16,329</u>

Note 5 Our financial position (cont'd)	2019	2018
5.5 (a) Employee provisions	\$'000	\$'000
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	2,784	2,675
Long service leave	957	725
	<b>3,741</b>	<b>3,400</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	689	727
Long service leave	5,252	4,794
	<b>5,941</b>	<b>5,521</b>
<b>Total current employee provisions</b>	<b>9,682</b>	<b>8,921</b>
<b>Non-current</b>		
Long service leave	1,441	1,271
<b>Total non-current employee provisions</b>	<b>1,441</b>	<b>1,271</b>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	9,682	8,921
Non-current	1,441	1,271
<b>Total aggregate carrying amount of employee provisions</b>	<b>11,123</b>	<b>10,192</b>

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

*Annual leave*

Liabilities for 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	1.34%	2.65%
- index rate	1.50%	1.50%

**(b) Landfill restoration**

Current	80	300
Non-current	7,131	5,837
	<b>7,211</b>	<b>6,137</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	0.96% - 1.92%	1.91% - 2.69%
- index rate	1.30%	2.10%
- estimated cost to rehabilitate	7,452	6,558

**5.6 Financing arrangements**

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

Bank guarantees	200	200
Credit card facilities	100	100
Interest bearing loans	17,070	18,436
<b>Total facilities</b>	<b>17,370</b>	<b>18,736</b>
<b>Used facilities</b>		
Bank guarantees	30	199
Credit card facilities	20	24
Interest bearing loans	17,070	18,436
<b>Total used facilities</b>	<b>17,120</b>	<b>18,659</b>
<b>Unused facilities</b>	<b>250</b>	<b>77</b>



**Note 5 Our financial position (cont'd)**

**5.7 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.

2019	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000	\$'000	
<b>Operating</b>					
Kerbside collection and disposal	5,594	5,594	12,282	-	23,470
Open space management	374	387	817	-	1,578
Services	1,903	1,496	1,652	-	5,051
Home care services	268	-	-	-	268
Cleaning contracts for council buildings	476	488	-	-	964
Meals for delivery	-	-	-	-	-
<b>Total</b>	<b>8,615</b>	<b>7,965</b>	<b>14,751</b>	<b>-</b>	<b>31,331</b>
<b>Capital</b>					
Buildings	36,252	8,067	-	-	44,319
Roads	3,784	-	-	-	3,784
Waste	70	-	-	-	70
Other	201	98	304	-	603
<b>Total</b>	<b>40,307</b>	<b>8,165</b>	<b>304</b>	<b>-</b>	<b>48,776</b>

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000	\$'000	
<b>Operating</b>					
Kerbside collection and disposal	4,764	4,852	14,407	-	24,023
Open space management	500	-	-	-	500
Services	2,743	1,632	1,629	254	6,259
Home care services	2,016	-	-	-	2,016
Cleaning contracts for council buildings	380	-	-	-	380
Meals for delivery	412	-	-	-	412
<b>Total</b>	<b>10,815</b>	<b>6,484</b>	<b>16,036</b>	<b>254</b>	<b>33,590</b>
<b>Capital</b>					
Buildings	1,548	67	20	-	1,634
Roads	24	-	-	-	24
Drainage	111	-	-	-	111
Waste Management	4,178	-	-	-	4,178
Other	20	-	-	-	20
<b>Total</b>	<b>5,880</b>	<b>67</b>	<b>20</b>	<b>-</b>	<b>5,966</b>

	2019	2018
	\$'000	\$'000
<b>Operating lease commitments</b>		

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

Not later than one year	419	579
Later than one year and not later than five years	466	912
	<b>885</b>	<b>1,491</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 6 Assets we manage**

**6.1 Non current assets classified as held for sale**

	2019	2018
	\$'000	\$'000
Cost of acquisition	55	248
<b>Total non current assets classified as held for sale</b>	<b>55</b>	<b>248</b>

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current assets, disposal groups and related liabilities and assets are treated as current and classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset's sale (or disposal group sale) is expected to be completed within 12 months from the date of classification.

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	77,779	417	175	-	(198)	(38)	-	636	78,771
Buildings	75,217	445	53	-	(1,754)	(171)	-	560	74,350
Plant and equipment	29,086	3,206	-	-	(2,239)	(245)	-	458	30,266
Infrastructure	828,255	10,479	8,959	-	(21,991)	(857)	-	5,071	829,916
Work in progress	26,125	23,656	-	-	-	-	(421)	(6,532)	42,828
<b>Total</b>	<b>1,036,461</b>	<b>38,203</b>	<b>9,187</b>	<b>-</b>	<b>(26,182)</b>	<b>(1,311)</b>	<b>(421)</b>	<b>193</b>	<b>1,056,130</b>

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	4,193	5,010	(108)	(1,086)	8,009
Plant and equipment	472	1,205	(15)	(457)	1,205
Infrastructure	21,460	17,441	(298)	(4,989)	33,614
<b>Total</b>	<b>26,125</b>	<b>23,656</b>	<b>(421)</b>	<b>(6,532)</b>	<b>42,828</b>

6.2 (a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	26,414	44,069	8,158	78,641	34,907	88,922	123,829	4,193	206,663
Accumulated depreciation at 1 July 2018	-	-	(862)	(862)	(13,542)	(35,070)	(48,612)	-	(49,474)
	26,414	44,069	7,297	77,779	21,365	53,852	75,217	4,193	157,189
<b>Movements in fair value</b>									
Additions	-	40	377	417	26	419	445	5,010	5,872
Contributions	107	-	68	175	-	53	53	-	228
Disposal	-	(35)	(7)	(42)	-	(738)	(738)	-	(780)
Write-off	-	-	-	-	-	-	-	(108)	(108)
Transfers	-	111	(1)	110	-	-	-	-	110
Transfers - WIP	-	260	266	526	55	505	560	(1,086)	-
	107	376	703	1,186	81	239	320	3,816	5,322
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	(198)	(198)	(532)	(1,222)	(1,754)	-	(1,952)
Accumulated depreciation of disposals	-	-	3	3	-	568	568	-	571
	-	-	(195)	(195)	(532)	(654)	(1,186)	-	(1,381)
At fair value 30 June 2019	26,521	44,445	8,861	79,827	34,988	89,161	124,149	8,009	211,985
Accumulated depreciation at 30 June 2019	-	-	(1,057)	(1,057)	(14,074)	(35,724)	(49,798)	-	(50,855)
	26,521	44,445	7,805	78,770	20,914	53,437	74,351	8,009	161,130

6.2 (b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	14,730	25,008	7,352	472	47,562
Accumulated depreciation at 1 July 2018	(7,949)	(4,608)	(5,448)	-	(18,005)
	6,781	20,400	1,904	472	29,557
<b>Movements in fair value</b>					
Additions	3,085	91	29	1,205	4,410
Disposal	(1,384)	(80)	-	-	(1,464)
Write-off	-	-	-	(14)	(14)
Transfers - WIP	262	131	63	(456)	-
	1,963	142	92	735	2,932
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(1,496)	(282)	(461)	-	(2,239)
Accumulated depreciation of disposals	1,153	66	-	-	1,219
	(343)	(216)	(461)	-	(1,020)
At fair value 30 June 2019	16,693	25,150	7,444	1,207	50,494
Accumulated depreciation at 30 June 2019	(8,292)	(4,824)	(5,909)	-	(19,025)
	<b>8,401</b>	<b>20,326</b>	<b>1,535</b>	<b>1,207</b>	<b>31,469</b>

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6.2 (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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	632,790	22,775	75,766	177,561	146,268	9,413	51,479	8,318	12,320	12,865	21,460	1,171,015
Accumulated depreciation at 1 July 2018	(161,941)	(8,465)	(21,828)	(61,186)	(52,520)	(3,043)	(6,062)	(276)	(1,178)	(4,803)	-	(321,300)
	470,849	14,310	53,939	116,375	93,748	6,370	45,418	8,043	11,141	8,063	21,460	849,715
<b>Movements in fair value</b>												
Additions	8,785	-	193	32	838	-	543	13	-	74	17,443	27,921
Contributions	4,336	-	1,428	2,743	-	-	392	-	-	60	-	8,959
Disposal	(113)	(267)	(49)	(240)	(58)	-	(548)	-	(5)	(101)	-	(1,381)
Write-off	-	-	-	-	-	-	-	-	-	-	(298)	(298)
Transfers	-	-	2	-	-	-	81	-	-	(1)	-	82
Transfers - WIP	1,267	376	306	74	1,858	4	805	-	-	300	(4,990)	-
	14,275	109	1,880	2,609	2,638	4	1,273	13	(5)	332	12,155	35,283
<b>Movements in accumulated depreciation</b>												
Depreciation and amortisation	(14,066)	(255)	(1,205)	(2,004)	(2,974)	(227)	(580)	(35)	(102)	(543)	-	(21,991)
Accumulated depreciation of disposals	26	109	15	89	20	-	222	-	4	38	-	523
	(14,040)	(146)	(1,190)	(1,915)	(2,954)	(227)	(358)	(35)	(98)	(505)	-	(21,468)
At fair value 30 June 2019	647,065	22,884	77,646	180,170	148,906	9,417	52,752	8,331	12,315	13,197	33,615	1,206,298
Accumulated depreciation at 30 June 2019	(175,981)	(8,611)	(23,018)	(63,101)	(55,474)	(3,270)	(6,420)	(311)	(1,276)	(5,308)	-	(342,768)
	471,084	14,273	54,629	117,069	93,432	6,147	46,333	8,021	11,038	7,890	33,615	863,530

## 6.2 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.

	Depreciation Period	Threshold Limit \$
<i>Asset recognition thresholds and depreciation periods</i>		
<u>Land &amp; land improvements</u>		
land	-	1
land improvements	15 - 60 years	5,000
land under roads	-	1
<u>Buildings</u>		
buildings	10 - 100 years	10,000
heritage assets	10 - 100 years	5,000
<u>Plant and Equipment</u>		
plant, machinery and equipment	2 - 10 years	500
furniture, equipment and computers	2 - 13 years	1,500
art collection and civic regalia	-	3,000
<u>Roads</u>		
roads - surface and seal	12 - 60 years	20,000
spray seal		500m2
asphalt		150m2
concrete		55m2
road pavement	53 - 60 years	290m2
roads - kerb, channel and minor culverts	60 - 90 years	1
<u>Bridges and major culverts</u>	40 - 100 years	1
<u>Footpaths and cycleways</u>		
footpaths	10 - 70 years	1
bike paths	10 - 70 years	1
<u>Drainage</u>	50 - 90 years	1
<u>Other infrastructure</u>		
naturestrip trees	50 years	1
regulatory signs	7 - 35 years	1
street furniture	5 - 50 years	1

### 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 above 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.

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

**Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer, LG Valuations (Principal - Marcus Hann, Valuer 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. A full revaluation of these assets will be conducted in 2020/21.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	44,444	-	January 2018
Specialised land	-	-	26,521	January 2018
Land improvements	-	-	7,805	January 2018
Heritage Buildings	-	-	20,914	January 2018
Buildings	-	-	53,436	January 2018
<b>Total</b>	-	<b>44,444</b>	<b>108,676</b>	

**Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with an internal valuation undertaken by Team Leader Strategic Assets, (Bachelor Technology Civil Engineering).

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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	471,084	June 2018
Bridges	-	-	14,273	June 2018
Footpaths and cycleways	-	-	54,629	June 2018
Drainage	-	-	117,069	June 2018
Recreational, leisure and community facilities	-	-	93,432	June 2018
Waste management	-	-	6,147	June 2018
Parks, open space and streetscapes	-	-	46,332	June 2018
Aerodromes	-	-	8,021	June 2018
Off street car parks	-	-	11,038	June 2018
Other infrastructure	-	-	7,888	June 2018
<b>Total</b>	-	-	<b>829,913</b>	

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

**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 \$35.00 to \$16,500.00 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.

	2019	2018
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	26,521	26,414
<b>Total specialised land</b>	<b>26,521</b>	<b>26,414</b>



	2019	2018
	\$'000	\$'000
<b>6.3 Investments in associates, joint arrangements and subsidiaries</b>		
<b>(a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Goulburn Valley Regional Library Corporation (GVRLC)	1,393	1,457
<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>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus(deficit) at start of year	(322)	(268)
Reported surplus(deficit) for year	(65)	(54)
Council's share of accumulated surplus(deficit) at end of year	<u>(387)</u>	<u>(322)</u>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	1,780	1,780
Adjustment to prior year's share of reserves	-	-
Council's share of reserves at end of year	<u>1,780</u>	<u>1,780</u>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	1,457	1,512
Share of surplus(deficit) for year	(65)	(54)
% share of equity adjustment	1	-
Adjustment to prior year's equity share	-	(1)
Carrying value of investment at end of year	<u>1,393</u>	<u>1,457</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.

	2019	2018
	No.	No.
<b>Note 7 People and relationships</b>		
<b>7.1 Council and key management remuneration</b>		
<b>(a) Related Parties</b>		
<i>Parent entity</i>		
Greater Shepparton City Council is the parent entity.		
<i>Associates</i>		
Interests in associates are detailed in Note 6.3.		
<b>(b) Key Management Personnel</b>		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
<b>Councillors</b>		
Councillor Kim O'Keeffe (Mayor)		
Councillor Shelley Sutton		
Councillor Dinny Adem		
Councillor Seema Abdullah		
Councillor Bruce Giovanetti		
Councillor Chris Hazelman		
Councillor Les Oroszvary		
Councillor Dennis Patterson		
Councillor Fern Summer		
<b>Executive Management</b>		
Chief Executive Officer		
Director - Community		
Director - Corporate Services		
Director - Infrastructure		
Director - Sustainable Development		
<b>Total Number of Councillors</b>	9	9
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	5	6
<b>Total Number of Key Management Personnel</b>	<u>14</u>	<u>15</u>
<b>(c) Remuneration of Key Management Personnel</b>	<b>\$'000</b>	<b>\$'000</b>
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,391	1,308
Long-term benefits	27	28
Post-employment benefits	132	126
<b>Total</b>	<u>1,550</u>	<u>1,462</u>
* A correction of \$346k was made to prior year figures as they incorrectly included the total long service leave entitlements at the end of the year rather than accrued entitlements during the year.		
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	<b>No.</b>	<b>No.</b>
\$20,000 - \$29,999	8	7
\$40,000 - \$49,999	-	1
\$60,000 - \$69,999	-	2
\$80,000 - \$89,999	1	-
\$140,000 - \$149,999	-	1
\$170,000 - \$179,999	-	1
\$210,000 - \$219,999	3	1
\$220,000 - \$229,999	1	1
\$300,000 - \$309,999	-	1
\$320,000 - \$329,999	1	-
	<u>14</u>	<u>15</u>

**7.1 Council and key management remuneration (cont'd)**

**(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 \$148,000

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

	2019	2018
Income Range:	No.	No.
\$148,000 - \$149,999	2	1
\$150,000 - \$159,999	8	7
\$160,000 - \$169,999	-	-
\$170,000 - \$179,999	1	1
	11	9
	<b>\$'000</b>	<b>\$'000</b>

Total Remuneration for the reporting year for Senior Officers included above, amounted to: 1,706 1,384

\* A correction of \$34k was made to prior year figures as they did not include entitlements accrued during the year.

**7.2 Related party disclosure**

**(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>	1,618	1,580
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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>	67	62
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Annual fees received for provision of financial and human resource services, being accounts payable, accounts receivable, asset management, treasury, financial reporting and payroll services.

During the period Council entered into the following other related party transactions:

Payments to entities controlled by key management personnel <sup>1,2,3,4,5,6</sup>	128
Receipts from entities controlled by key management personnel <sup>7,8,9,10</sup>	58

Notes:

- 1 Payment of \$44,377 to Goulburn Murray Community Leadership Program as contribution to the Fairley Leadership Program and professional development courses (Cr. Hazelman has an interest).
- 2 Payment of \$26,393 to Tallygaroopna Recreation Reserve Committee of Management by way of Our Sporting Future grant funding and maintenance grant allocations (Cr. Hazelman has an interest).
- 3 Payment of \$3,200 to the Ethnic Council of Shepparton by way of a community matching grant (Cr. Hazelman has an interest).
- 4 Payment of \$35,268 to Goulburn Valley Waste and Resource Recovery Group, of which, the Greater Shepparton City Council is a contribution partner (Cr. Abdullah has an interest).
- 5 Payment of \$16,121 to LaTrobe University for contributions to scholarship programs (Dir. Sustainable Development has an interest).
- 6 Payment of \$2,728 to AFL Goulburn Murray as a promotional events partner (Dir. Sustainable Development has an interest).
- 7 Receipts of \$44,856 from Goulburn Valley Waste and Resource Recovery Group for provision of financial and payroll services (Cr. Abdullah has an interest).
- 8 Receipts of \$11,587 from LaTrobe University for facilities hire, Council services and contributions to community programs (Dir. Sustainable Development has an interest).
- 9 Receipts of \$697 from AFL Goulburn Murray for facilities hire (Dir. Sustainable Development has an interest).
- 10 Receipts of \$1,043 from the Ethnic Council of Shepparton as contributions to Council events (Cr. Hazelman has an interest).

Any close family member of key management personnel are employed through an arm's length process. They are paid in accordance with the award for the job they perform. Council employs 974 permanent, part-time and casual staff of which two were close family members of key management personnel.

**(b) Outstanding balances with related parties**

There were no outstanding balances at the end of the reporting period in relation to transactions with related parties.

**(c) Loans to/from related parties**

There were no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

**(d) Commitments to/from related parties**

There were no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.

## Note 8 Managing uncertainties

### 8.1 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 below. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

#### Landfill

Council operates a landfill. Council has taken up a financial provision for site rehabilitation works in the future (refer Note 5.5). This provision is based on expert estimates and assumptions covering a 30 year period, and as such, Council is unable to accurately assess the financial implications of such works.

#### Liabilities through association with MAV

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

### 8.2 Change in accounting standards

#### *Financial instruments (AASB9)*

This standard simplifies the model for classifying and recognising financial assets and adopts an expected loss model for impairment assessment, where the expected losses are recognised throughout the life of the financial asset, not only after a loss event has been identified. As a result, impairment losses will be recognised earlier and at more regular intervals.

The application of AASB9 has not significantly impacted Council's financials, however it has changed the model for calculating the provision for doubtful debt from an incurred loss model to an expected loss model (refer note 5.1(e)).

The following new AAS's have been issued that are not mandatory for the 30 June 2019 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.

#### *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.

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$524,448 in lease related assets and an equivalent liability.

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

This standard is expected to apply to certain transactions currently accounted for under 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 a not-for-profit entity to further its objectives.

### 8.3 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. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. 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.

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. Council does not hold any collateral.

#### (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 5.4.

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 + 0.0% and -1.0% in market interest rates (AUD) from year-end rates of 2.16%.

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.

### 8.4 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

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 their fair value, being 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. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value 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.

#### *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.

#### **8.5 Events occurring after balance date**

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

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>9.1 Reserves</b>			
<b>(a) Asset revaluation reserves</b>			
<b>2019</b>			
<b>Property</b>			
Land - specialised	-	-	-
Land - non specialised	5,905	-	5,905
Land improvements	5,657	-	5,657
Heritage buildings	1,390	-	1,390
Buildings	7,205	-	7,205
	<b>20,157</b>	<b>-</b>	<b>20,157</b>
<b>Plant &amp; Equipment</b>			
Artwork and regalia	14,165	-	14,165
	<b>14,165</b>	<b>-</b>	<b>14,165</b>
<b>Infrastructure</b>			
Roads	409,837	-	409,837
Bridges	19,042	-	19,042
Footpaths and cycleways	52,702	-	52,702
Drainage	60,369	-	60,369
Recreational, leisure and community facilities	51,967	-	51,967
Waste management	394	-	394
Parks, open space and streetscapes	21,887	-	21,887
Aerodromes	2,271	-	2,271
Offstreet car parks	7,247	-	7,247
Other infrastructure	2,848	-	2,848
	<b>628,564</b>	<b>-</b>	<b>628,564</b>
<b>Total asset revaluation reserves</b>	<b>662,886</b>	<b>-</b>	<b>662,886</b>
<b>2018</b>			
<b>Property</b>			
Land - specialised	3,322	(3,322)	-
Land - non specialised	1,572	4,333	5,905
Land improvements	4,540	1,117	5,657
Heritage buildings	339	1,051	1,390
Buildings	2,821	4,384	7,205
	<b>12,594</b>	<b>7,563</b>	<b>20,157</b>
<b>Plant &amp; Equipment</b>			
Artwork and regalia	13,516	649	14,165
	<b>13,516</b>	<b>649</b>	<b>14,165</b>
<b>Infrastructure</b>			
Roads	343,536	66,301	409,837
Bridges	18,819	223	19,042
Footpaths and cycleways	37,805	14,897	52,702
Drainage	43,113	17,256	60,369
Recreational, leisure and community facilities	53,821	(1,854)	51,967
Waste management	228	166	394
Parks, open space and streetscapes	15,031	6,856	21,887
Aerodromes	1,129	1,142	2,271
Offstreet car parks	5,184	2,063	7,247
Other infrastructure	1,131	1,717	2,848
	<b>519,797</b>	<b>108,767</b>	<b>628,564</b>
<b>Total asset revaluation reserves</b>	<b>545,907</b>	<b>116,979</b>	<b>662,886</b>

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



	2019	2018
	\$'000	\$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
<b>Surplus/(deficit) for the year</b>	24,852	23,793
Depreciation/amortisation	26,182	24,068
(Profit)/loss on disposal of property, infrastructure, plant and equipment	830	825
Contributions - Non-monetary assets	(9,187)	(10,763)
Finance costs	1,009	1,142
Assets written off	421	
Bad debts	108	-
Share of net (profits) or loss of associates and joint ventures	65	54
Net write-off of intangibles	-	754
Project costs expended on non-council assets	-	2,258
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	1,147	(1,767)
(Increase)/decrease in prepayments	(323)	(3)
Increase/(decrease) in accrued income	-	(364)
Increase/(decrease) in trade and other payables	2,379	4,821
Increase/(decrease) in other liabilities	(31)	120
(Increase)/decrease in inventories	13	(46)
Increase/(decrease) in employee provisions	931	(328)
Increase/(decrease) in landfill provisions	1,074	(557)
(Increase)/decrease in other assets	-	(1)
<b>Net cash provided by operating activities</b>	<b>49,470</b>	<b>44,006</b>

### 9.3 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 Comprehensive Operating 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 2019, 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.

#### 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. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%.

The financial assumptions used to calculate the VBIs were:

- Net investment returns 6.0% pa
- Salary information 3.5% pa
- Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at 30 June 2019 was 107.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 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.

#### The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which the Greater Shepparton City Council is a contributing employer. Generally, a full actuarial investigation conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigation as at 30 June 2018 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$131.9 million
- A total service liability surplus of \$218.3 million.
- A discounted accrued benefits surplus of \$249.1 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 2018.

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed in December 2019.