

**Southern Grampians Shire Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2018*

**Southern Grampians Shire 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*, Australian Accounting Standards and other mandatory professional reporting requirements.

*Belinda J Johnson, B.Com., CPA*

**Principal Accounting Officer**

**Date** : 12 September 2018

*Hamilton*

In our opinion the accompanying financial statements present fairly the financial transactions of Southern Grampians Shire 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.

*Cr Mary-Ann Brown*

**Councillor**

**Date** : 12 September 2018

*Hamilton*

*Cr Colin B Dunkley*

**Councillor**

**Date** : 12 September 2018

*Hamilton*

*Michael G Tudball*

**Chief Executive Officer**

**Date** : 12 September 2018

*Hamilton*

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**Comprehensive Income Statement**  
**For the Year Ended 30 June 2018**

	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>			
Rates and charges	2.1	19,706	19,013
Statutory fees and fines	2.2	584	602
User fees	2.3	5,901	6,104
Grants - operating	2.4	10,187	14,340
Grants - capital	2.4	7,972	9,416
Contributions - monetary	2.5	-	2
Contributions - non monetary	2.5	148	433
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	5	(76)
Found Assets		-	442
Fair value adjustments for investment property	5.3	1,720	37
Adjustment to Landfill Provision		931	(2)
Other income	2.7	1,650	1,114
<b>Total income</b>		<b>48,804</b>	<b>51,425</b>
<b>Expenses</b>			
Employee costs	3.1	(17,694)	(16,283)
Materials and services	3.2	(15,683)	(9,690)
Depreciation and amortisation	3.3	(10,071)	(10,172)
Bad and doubtful debts	3.4	(75)	(26)
Borrowing costs	3.5	(164)	(190)
Assets Written Off		-	(1,758)
Impairment of Assets		-	(14,430)
Other expenses	3.6	(3,073)	(3,068)
<b>Total expenses</b>		<b>(46,760)</b>	<b>(55,617)</b>
<b>Surplus/(deficit) for the year</b>		<b>2,044</b>	<b>(4,192)</b>

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

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

	Note	2018 \$'000	2017 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4.1	8,518	3,875
Trade and other receivables	4.1	3,724	3,476
Other financial assets	4.1	15,956	21,130
Inventories	4.2	1,095	1,113
Other assets	4.2	1,043	558
<b>Total current assets</b>		<b>30,336</b>	<b>30,152</b>
<b>Non-current assets</b>			
Trade and other receivables	4.1	96	140
Property, infrastructure, plant and equipment	5.1	314,997	313,908
Investment property	5.2	2,820	1,100
<b>Total non-current assets</b>		<b>317,913</b>	<b>315,148</b>
<b>Total assets</b>		<b>348,249</b>	<b>345,300</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	4.3	4,070	2,210
Trust funds and deposits	4.3	353	197
Provisions - Landfill & Employees	4.5	6,962	7,041
Interest-bearing liabilities	4.4	409	382
<b>Total current liabilities</b>		<b>11,794</b>	<b>9,830</b>
<b>Non-current liabilities</b>			
Provisions - Landfill & Employees	4.5	793	1,442
Interest-bearing liabilities	4.4	1,853	2,263
<b>Total non-current liabilities</b>		<b>2,646</b>	<b>3,705</b>
<b>Total liabilities</b>		<b>14,440</b>	<b>13,535</b>
<b>Net assets</b>		<b>333,809</b>	<b>331,765</b>
<b>Equity</b>			
Accumulated surplus		132,567	130,563
Reserves	8.1	201,242	201,202
<b>Total Equity</b>		<b>333,809</b>	<b>331,765</b>

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

**Statement of Changes in Equity**  
**For the Year Ended 30 June 2018**

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2018</b>					
Balance at beginning of the financial year		331,765	130,563	200,463	739
Surplus/(deficit) for the year		2,044	2,044	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	(40)	-	40
Transfers from other reserves		-	-	-	-
<b>Balance at end of the financial year</b>		<b>333,809</b>	<b>132,567</b>	<b>200,463</b>	<b>779</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
<b>2017</b>					
Balance at beginning of the financial year		335,957	134,822	200,463	672
Surplus/(deficit) for the year		(4,192)	(4,192)	-	-
Net asset revaluation increment/(decrement)		-	-	-	-
Transfers to other reserves		-	(67)	-	67
Transfers from other reserves		-	-	-	-
<b>Balance at end of the financial year</b>		<b>331,765</b>	<b>130,563</b>	<b>200,463</b>	<b>739</b>

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



**Statement of Cash Flows**  
**For the Year Ended 30 June 2018**

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		19,647	19,144
Statutory fees and fines		609	576
User fees		6,290	5,836
Grants - operating		10,187	14,340
Grants - capital		7,972	9,417
Contributions - monetary		-	2
Interest received		624	409
Trust funds and deposits taken		241	58
Other receipts		1,026	705
Net GST refund/(payment)		(596)	(169)
Employee costs		(17,513)	(16,141)
Materials and services		(14,308)	(9,313)
Trust funds and deposits repaid		(85)	(82)
Other payments		(3,021)	(3,069)
<b>Net cash provided by/(used in) operating activities</b>		<b><u>11,073</u></b>	<b><u>21,713</u></b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	5.2	(11,197)	(8,987)
Proceeds from sale of property, infrastructure, plant and equipment		140	333
Payments/(Proceeds) for investments		5,174	(13,965)
<b>Net cash provided by/(used in) investing activities</b>		<b><u>(5,883)</u></b>	<b><u>(22,619)</u></b>
<b>Cash flows from financing activities</b>			
Finance costs		(164)	(190)
Repayment of borrowings		(383)	(356)
<b>Net cash provided by/(used in) financing activities</b>		<b><u>(547)</u></b>	<b><u>(546)</u></b>
Net increase (decrease) in cash and cash equivalents		4,643	(1,452)
Cash and cash equivalents at the beginning of the financial year		3,875	5,327
<b>Cash and cash equivalents at the end of the financial year</b>		<b><u>8,518</u></b>	<b><u>3,875</u></b>

Financing arrangements 4.6

Restrictions on cash assets 4.1

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

**Statement of Capital Works**  
**For the Year Ended 30 June 2018**

	Note	2018 \$'000	2017 \$'000
<b>Property</b>			
Land		15	-
<b>Total land</b>		<u>15</u>	<u>-</u>
Buildings		820	-
Building improvements		186	273
<b>Total buildings</b>		<u>1,006</u>	<u>273</u>
<b>Total property</b>		<u>1,021</u>	<u>273</u>
<b>Plant and equipment</b>			
Art Gallery Collection		-	14
Plant, machinery and equipment		1,606	1,080
Fixtures, fittings and furniture		131	-
Computers and telecommunications		241	399
Library books		57	66
<b>Total plant and equipment</b>		<u>2,035</u>	<u>1,559</u>
<b>Infrastructure</b>			
Roads		9,750	4,360
Bridges		443	237
Footpaths and cycleways		248	74
Drainage		30	-
Recreational, leisure and community facilities		287	86
Waste management		481	160
Parks, open space and streetscapes		12	-
Aerodromes		101	22
Livestock Exchange		1,847	1,900
Other infrastructure		1,081	-
<b>Total infrastructure</b>		<u>14,280</u>	<u>6,839</u>
<b>Total capital works expenditure</b>		<u>17,336</u>	<u>8,671</u>
<b>Represented by:</b>			
New asset expenditure		1,967	1,115
Asset renewal expenditure		14,363	5,264
Asset expansion expenditure		45	24
Asset upgrade expenditure		961	2,268
<b>Total capital works expenditure</b>		<u>17,336</u>	<u>8,671</u>

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

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**OVERVIEW**

**Introduction**

The Southern Grampians Shire Council was established by an Order of the Governor in Council on 23 September 1994 and is a body corporate.

The Council's main office is located at 111 Brown Street, Hamilton.

**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 5.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.1)
- 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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**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 the lower of 10 percent or \$100k 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 12 July 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**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
	<b>2018</b>	<b>2018</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Ref</b>
<b>Income</b>				
Rates and charges	18,932	19,706	774	1
Statutory fees and fines	564	584	20	
User fees	6,143	5,901	(242)	2
Grants - operating	10,339	10,187	(152)	3
Grants - capital	25,212	7,972	(17,240)	4
Contributions - monetary	165	-	(165)	5
Contributions - non monetary	-	148	148	6
Net gain/(loss) on disposal of property, infrastructure, plant and equi	-	5	5	7
Fair value adjustments for investment property	-	1,720	1,720	8
Adjustment of Landfill Provision	-	931	931	9
Other income	1,465	1,650	185	10
<b>Total income</b>	<b>62,820</b>	<b>48,804</b>	<b>(14,016)</b>	
<b>Expenses</b>				
Employee costs	16,287	17,694	(1,407)	11
Materials and services	9,702	15,683	(5,981)	12
Bad and doubtful debts	-	75	(75)	
Depreciation and amortisation	11,512	10,071	1,441	13
Borrowing costs	166	164	2	
Other expenses	3,295	3,073	222	14
<b>Total expenses</b>	<b>40,962</b>	<b>46,760</b>	<b>(5,798)</b>	
<b>Surplus/(deficit) for the year</b>	<b>21,858</b>	<b>2,044</b>	<b>(8,218)</b>	

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**(i) Explanation of material variations**

<b>Variance Ref</b>	<b>Item</b>	<b>Explanation</b>
1	Rates and charges	Budgeted rate revenue was reduced by pensioner concessions and did not include revenue in lieu of rates from windfarms.
2	User fees	Lower than anticipated revenues, particularly in Livestock Exchange, Home & Community Care and HILAC
3	Grants - operating	Operational grants were not achieved in the Planning, Recreation & Natural Asset Management areas.
4	Grants - capital	Timing of projects in relation to the Livestock Exchange and the Industrial Land Development meant grants were not able to be claimed. Progress in the Flood Management works also meant works have not been completed to enable grant claims.
5	Contributions - monetary	A contribution towards Hamilton Botanic Gardens work was not received due to the project timing.
6	Contributions - non monetary	These are gifted assets to the Hamilton Art Gallery, which cannot be predicted at the time of budget preparation.
7	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Relates to Fleet purchases and sales, which cannot be predicted at the time of budget preparation.
8	Fair value adjustments for investment property	Increased value of Investment Properties - Commercial in confidence
9	Adjustment of Landfill Provision	Councils liability has reduced due to rehabilitation works being carried out results in an adjustment to revenue
10	Other income	The culmination of a number of minor variations.
11	Employee costs	Increase in General employee expenses (additional EFT, Addition allowance payments and conversion of contract works to employees), a deficit in oncost recovery and inclusion of conferences and training as well as non-capitalised wages has culminated in the increased expense.
12	Materials and services	Payments to contractors and for materials and services is higher mostly due to the reclassification of expenses which were anticipated to meet capital criteria, but did not pass materiality or assets tests - in particular flood repair works.
13	Depreciation and amortisation	Depreciation less than anticipated for Hamilton airport, Hamilton Outdoor Pool, Hamilton Landfill Site and Construction Plant
14	Other expenses	The culmination of a number of minor variations.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**Note 1 Performance against budget (cont'd)**

**1.2 Capital works**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	
	<b>2018</b>	<b>2018</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>Ref</b>
<b>Property</b>				
Land	2,500	15	(2,485)	1
<b>Total Land</b>	<b>2,500</b>	<b>15</b>	<b>(2,485)</b>	
Buildings	1,105	820	(285)	2
Building improvements	235	186	(49)	3
<b>Total Buildings</b>	<b>1,340</b>	<b>1,006</b>	<b>(334)</b>	
<b>Total Property</b>	<b>3,840</b>	<b>1,021</b>	<b>(2,819)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	1,971	1,606	(365)	4
Fixtures, fittings and furniture	120	131	11	
Computers and telecommunications	547	241	(306)	5
Library books	70	57	(13)	6
<b>Total Plant and Equipment</b>	<b>2,708</b>	<b>2,035</b>	<b>(673)</b>	
<b>Infrastructure</b>				
Roads	18,690	9,750	(8,940)	7
Bridges	5,010	443	(4,567)	8
Footpaths and cycleways	1,243	248	(995)	9
Drainage	339	30	(309)	10
Recreational, leisure and community facilities	2,104	287	(1,817)	11
Waste management	2,700	481	(2,219)	12
Parks, open space and streetscapes	2,990	12	(2,978)	13
Aerodromes	50	101	51	14
Livestock Exchange	1,684	1,847	163	15
Other infrastructure	1,036	1,081	45	
<b>Total Infrastructure</b>	<b>35,846</b>	<b>14,280</b>	<b>(21,566)</b>	
<b>Total Capital Works Expenditure</b>	<b>42,394</b>	<b>17,336</b>	<b>(25,058)</b>	
<b>Represented by:</b>				
New asset expenditure	4,330	1,967	(2,363)	
Asset renewal expenditure	33,528	14,363	(19,165)	
Asset expansion expenditure	130	45	(85)	
Asset upgrade expenditure	4,406	961	(3,445)	
<b>Total Capital Works Expenditure</b>	<b>42,394</b>	<b>17,336</b>	<b>(25,058)</b>	

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**(i) Explanation of material variations**

The ability to obtain appropriately qualified, affordable and available contractors has been difficult for Southern Grampians and has impacted almost every Category of Capital Works - in particular those classifications where flood recovery works are required, but also other areas which include large construction type works. This has been compounded by the 2016 flood-related works (~\$40 million), State Government investment into south west road network (~\$90 million) and all south west Councils cumulative capital spend totalling over \$50 million.

<b>Variance Ref</b>	<b>Item</b>	<b>Explanation</b>
1	Land	Progress on the construction of the Hamilton Industrial Land development has not proceeded as planned due to a delay in signing funding agreement and agreeing timelines and process with Regional Development Victoria.
2	Buildings	Remediation works on flood related damage has not been completed due to delays with insurance assessment and agreement and access to appropriate contractors.
3	Building improvements	Solar project at Hamilton depot did not proceed
4	Plant, machinery and equipment	Some large items of construction equipment were on order but not received at balance date.
5	Fixtures, fittings and furniture	Additional works were completed at outdoor pools.
6	Library books	Councils service provider did not spend all available funds.
7	Roads	The variance relates to the progress of work being completed to restore flood impacted works. The majority of Council's own sourced capital works were completed.
8	Bridges	The majority of the variance relates to the delay of work being completed to restore flood impacted works. Three of the four Council funded bridges were also delayed.
9	Footpaths and cycleways	The Dunkeld-Mount Sturgeon walking track construction has been delayed with the majority of the remaining variance relating to the delays of work being completed to restore flood impacted works.
10	Drainage	The majority of the variance relates to the delay of work being completed to restore flood impacted works.
11	Recreational, leisure and community facilities	Patterson Park Playground was delayed and some of the repair works to outdoor pools. The remainder relates to flood affected assets.
12	Waste management	Coleraine Landfill remediation and waste options implementation have been delayed. Hamilton Landfill works continued, but not to the extent expected due to availability of materials and contractor timeframes.
13	Parks, open space and streetscapes	Cox Street Front Door project, Hamilton & Penshurst Botanic Gardens works, Gallery/Library Forecourt works and Art Gallery Masterplan have all been delayed relating to funding negotiations and announcements.
14	Aerodromes	The installation of an Avgas facility (which was not budgeted) was implemented, however the replacement of the water pipeline has not been completed.
15	Livestock Exchange	This large multi-year project is proceeding with only minor time differences in completion of stages and payments.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

<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>\$'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 means the sum which the land, if it were held for an estate in fee simple unencumbered by any lease, mortgage or other charge, might be expected to realise at the time of valuation if offered for sale on any reasonable terms and conditions which a genuine seller might in ordinary circumstances be expected to require.

The valuation base used to calculate general rates for 2017/18 was \$3,380 million (2016/17 \$3,360 million).

General Rates	15,972	15,602
Municipal charge	1,792	1,751
Garbage & Recycling Charge	1,660	1,404
Green Waste Charge	101	81
Special rates and charges	5	5
Revenue in lieu of rates	176	170
<b>Total rates and charges</b>	<b>19,706</b>	<b>19,013</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation will be first applied in the rating year commencing 1 July 2018.

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	44	70
Registrations	111	97
Town planning fees	121	102
Land information certificates	16	13
Permits	292	320
<b>Total statutory fees and fines</b>	<b>584</b>	<b>602</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**

Cinema Operations	278	283
Family Day Care	288	346
Hamilton Indoor Leisure & Aquatic Centre	1,070	1,216
Home and Community Care Services	557	685
Livestock Exchange	1,338	1,342
Meals Services	230	234
Old Hamilton Reservoir	106	80
Parking Control	113	138
Performing Arts Centre	140	152
Quarry Operations	202	204
Waste Management Services	1,152	976
Other fees and charges	427	448
<b>Total user fees</b>	<b>5,901</b>	<b>6,104</b>

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



**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<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	12,101	15,989
State funded grants	6,058	7,725
Other	-	42
<b>Total grants received</b>	<u>18,159</u>	<u>23,756</u>
<b>(a) Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Financial Assistance Grant	7,201	10,192
Childrens Services	298	373
Aged & Disabled Services	904	951
Other	127	106
<b>Recurrent - State Government</b>		
Art Gallery	120	128
Community Safety	53	63
Aged & Disabled Services	604	377
Cultural Services	80	80
Libraries	167	120
Inclusive Activities	-	99
Childrens Services	322	-
Other	13	106
<b>Total recurrent operating grants</b>	<u>9,889</u>	<u>12,595</u>
<b>Non-recurrent - Commonwealth Government</b>		
Other	-	11
<b>Non-recurrent - State Government</b>		
Community Planning & Support	41	31
Environmental Management	50	-
Emergency Services	-	26
Local Infrastructure	-	1,121
Recreation	207	308
Strategic Planning	-	206
<b>Total non-recurrent operating grants</b>	<u>298</u>	<u>1,703</u>
<b>Total operating grants</b>	<u>10,187</u>	<u>14,298</u>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	3,064	3,114
<b>Recurrent - State Government</b>		
Other	-	-
<b>Total recurrent capital grants</b>	<u>3,064</u>	<u>3,114</u>
<b>Non-recurrent - Commonwealth Government</b>		
Other Infrastructure	108	45
Livestock Exchange	399	1,197
<b>Non-recurrent - State Government</b>		
Airport	13	965
Buildings	6	-
Other Infrastructure	263	35
Livestock Exchange	462	-
Childrens Services	3	-
Recreation	10	-
Flood Recovery	3,644	4,060
<b>Total non-recurrent capital grants</b>	<u>4,908</u>	<u>6,302</u>
<b>Total capital grants</b>	<u>7,972</u>	<u>9,416</u>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	2,900	107
Received during the financial year and remained unspent at balance date	1,172	2,900
Received in prior years and spent during the financial year	2,900	107
Balance at year end	<u>1,172</u>	<u>2,900</u>

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.

**2.5 Contributions**

Monetary	-	2
Non-monetary	148	433
<b>Total contributions</b>	<u>148</u>	<u>435</u>

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

Art Collection	148	433
<b>Total non-monetary contributions</b>	<u>148</u>	<u>433</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	140	333
Written down value of assets disposed	(135)	(409)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>5</u>	<u>(76)</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	706	409
Vicroads	202	244
Insurance Reimbursements	302	100
Other	440	361
<b>Total other income</b>	<u>1,650</u>	<u>1,114</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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

<b>Note 3 The cost of delivering services</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.1 Employee costs</b>		
Wages and salaries	13,348	12,436
Leave - Annual, Long Service & Sick	1,950	1,684
Superannuation	1,459	1,377
Conferences & training	185	171
Workcover	471	341
Travelling	140	131
Fringe benefits tax	136	138
Corporate image	5	5
<b>Total employee costs</b>	<u>17,694</u>	<u>16,283</u>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	55	76
	<u>55</u>	<u>76</u>

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,036	1,028
Employer contributions - other funds	368	273
	<u>1,404</u>	<u>1,301</u>

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

**3.2 Materials and services**

Contract payments	10,646	4,575
Building maintenance	303	298
General maintenance, materials & services	2,323	2,740
Utilities	907	917
Office administration	199	-
Information technology	299	824
Insurance	424	-
Consultants	582	336
<b>Total materials and services</b>	<u>15,683</u>	<u>9,690</u>

Contracts & Materials is higher in 2017/18 due to the additional works required relating to the impact of the September 2016 storm/flood event.

**3.3 Depreciation and amortisation**

Property	1,298	1,268
Plant and equipment	1,470	1,531
Infrastructure	7,303	7,373
<b>Total depreciation and amortisation</b>	<u>10,071</u>	<u>10,172</u>

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

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3.4 Bad and doubtful debts</b>		
Parking fine debtors	75	-
Other debtors	-	26
<b>Total bad and doubtful debts</b>	<u>75</u>	<u>26</u>
<b>Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	-	43
New Provisions recognised during the year	-	-
Amounts already provided for and written off as uncollectible	-	43
Amounts provided for but recovered during the year	-	-
Balance at end of year	<u>-</u>	<u>-</u>
Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.		
<b>3.5 Borrowing costs</b>		
Interest - Borrowings	164	190
Less capitalised borrowing costs on qualifying assets	-	-
<b>Total borrowing costs</b>	<u>164</u>	<u>190</u>
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.		
<b>3.6 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	43	37
Auditors' remuneration - Internal Audit Function	18	-
Councillors' allowances	180	177
Advertising	313	185
Community Grants	321	318
Discount on Rates	144	136
Food & Catering	150	103
General Asset Insurances	-	363
Phone, Internet & Other Communication Charges	252	223
Software Licences	172	138
Stock Adjustments/Write offs	15	120
Travel & Accommodation	154	99
Waste Disposal	602	526
Other	709	643
<b>Total other expenses</b>	<u>3,073</u>	<u>3,068</u>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

<b>Note 4 Our financial position</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4.1 Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	6	6
Cash at bank	8,512	3,869
<b>Total cash and cash equivalents</b>	<u>8,518</u>	<u>3,875</u>
<b>(b) Other financial assets</b>		
Term deposits - current	15,956	21,130
<b>Total other financial assets</b>	<u>15,956</u>	<u>21,130</u>
<b>Total financial assets</b>	<u>24,474</u>	<u>25,005</u>

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

- Trust funds and deposits (Note 4.3)	353	197
Total restricted funds	<u>353</u>	<u>197</u>
Total unrestricted cash and cash equivalents	<u>8,165</u>	<u>3,678</u>

**Intended allocations**

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

- Cash held for specific Reserve Funds	870	748
- Cash held for the Sir Irving Benson Bequest	693	672
- Cash held for unspent grants	1,172	2,900
- Cash held for unexpended capital works	4,165	6,913
Total funds subject to intended allocations	<u>6,900</u>	<u>11,233</u>

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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	1,633	1,359
Net GST Receivable	596	169
Infringement debtors	7	32
Provision for doubtful debts - infringements	-	-
<i>Non statutory receivables</i>		
Loans and advances to community organisations	4	3
Other debtors	1,484	1,913
Provision for doubtful debts - other debtors	-	-
Total current trade and other receivables	<u>3,724</u>	<u>3,476</u>
<b>Non-current</b>		
<i>Statutory receivables</i>		
Special rate scheme	96	135
<i>Non statutory receivables</i>		
Loans and advances to community organisations	-	5
Total non-current trade and other receivables	<u>96</u>	<u>140</u>
<b>Total trade and other receivables</b>	<u><b>3,820</b></u>	<u><b>3,616</b></u>

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.

**(a) Ageing of Receivables**

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

Current (not yet due)	951	869
Past due by up to 30 days	71	115
Past due between 31 and 60 days	411	6
Past due between 61 and 90 days	14	74
Past due by more than 90 days	144	1,024
Total trade & other receivables	<u>1,591</u>	<u>2,088</u>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

<b>4.2 Non-financial assets</b>	<b>2018</b>	<b>2017</b>
<b>(a) Inventories</b>	<b>\$'000</b>	<b>\$'000</b>
Inventories held for distribution	413	454
Inventories held for sale	682	659
<b>Total inventories</b>	<b>1,095</b>	<b>1,113</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**

Prepayments	983	488
Accrued income	60	70
<b>Total other assets</b>	<b>1,043</b>	<b>558</b>

**4.3 Payables**

**(a) Trade and other payables**

Trade payables	2,567	967
Rate Revenue received in Advance	312	267
Employee costs	314	336
Fire Services levy	567	502
Accrued expenses	310	138
<b>Total trade and other payables</b>	<b>4,070</b>	<b>2,210</b>

**(b) Trust funds and deposits**

Refundable deposits	28	112
Retention amounts	293	56
Other refundable deposits	32	29
<b>Total trust funds and deposits</b>	<b>353</b>	<b>197</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 <<monthly>> 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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	2018 \$'000	2017 \$'000
<b>4.4 Interest-bearing liabilities</b>		
<b>Current</b>		
Borrowings - secured	409	382
	<u>409</u>	<u>382</u>
<b>Non-current</b>		
Borrowings - secured	1,853	2,263
Finance leases	-	-
	<u>1,853</u>	<u>2,263</u>
<b>Total</b>	<u><b>2,262</b></u>	<u><b>2,645</b></u>

Borrowings are secured over rate revenue

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

Not later than one year	408	382
Later than one year and not later than five years	1,855	1,508
Later than five years	-	754
	<u><b>2,263</b></u>	<u><b>2,644</b></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.



**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**4.5 Provisions**

	Employee	Landfill restoration	Total
<b>2018</b>	<b>\$ '000</b>	<b>\$ '000</b>	<b>\$ '000</b>
Balance at beginning of the financial year	4,815	3,668	8,483
Additional provisions	1,701	-	1,701
Amounts used	(1,461)	(931)	(2,392)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(37)	-	(37)
Balance at the end of the financial year	<u>5,018</u>	<u>2,737</u>	<u>7,755</u>
<b>2017</b>			
Balance at beginning of the financial year	4,675	3,984	8,659
Additional provisions	1,690	-	1,690
Amounts used	(1,367)	(318)	(1,685)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(183)	2	(181)
Balance at the end of the financial year	<u>4,815</u>	<u>3,668</u>	<u>8,483</u>

	2018	2017
	\$'000	\$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12</b>		
Annual leave	985	914
Long service leave	184	126
Time in Lieu	131	111
	<u>1,300</u>	<u>1,151</u>
<b>Current provisions expected to be wholly settled after 12</b>		
Annual leave	809	838
Long service leave	2,365	2,440
	<u>3,174</u>	<u>3,278</u>
Total current employee provisions	<u>4,474</u>	<u>4,429</u>
<b>Non-current</b>		
Long service leave	544	386
Annual leave	-	-
Total non-current employee provisions	<u>544</u>	<u>386</u>
Aggregate carrying amount of employee provisions:		
Current	4,474	4,429
Non-current	544	386
Total aggregate carrying amount of employee provisions	<u>5,018</u>	<u>4,815</u>

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:	<b>2018</b>	<b>2017</b>
- discount rate	2.647%	2.612%
- inflation rate	3.875%	3.813%

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
<b>(b) Landfill restoration</b>	<b>\$'000</b>	<b>\$'000</b>
Current	2,488	2,612
Non-current	249	1,056
	<u>2,737</u>	<u>3,668</u>

Council is obligated to restore Hamilton and Coleraine Landfill sites 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:	<b>2018</b>	<b>2017</b>
- discount rate	2.647%	2.612%
- inflation rate	3.875%	3.813%
- estimated cost to rehabilitate	2,631	3,512

**4.6 Financing arrangements**

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

Bank overdraft	1,000	1,000
Credit card facilities	250	250
Other facilities	2,263	2,645
Total facilities	<u>3,513</u>	<u>3,895</u>
Used facilities	<u>(2,263)</u>	<u>(2,645)</u>
Unused facilities	<u>1,250</u>	<u>1,250</u>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**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 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not	years and not		
	\$'000	later than 2	later than 5	years	\$'000
		years	years		
<b>Operating</b>					
Corporate/Administration	275	159	-	-	434
Infrastructure	844	33	33	-	910
Meals for delivery	328	-	-	-	328
Planning	48	-	-	-	48
Recreation	448	442	-	-	890
Waste Management	794	851	1,535	-	3,180
<b>Total</b>	<b>2,737</b>	<b>1,485</b>	<b>1,568</b>	<b>-</b>	<b>5,790</b>
<b>Capital</b>					
Infrastructure	15,220	-	-	-	15,220
Plant	292	-	-	-	292
<b>Total</b>	<b>15,512</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,512</b>

2017	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not	years and not		
	\$'000	later than 2	later than 5	years	\$'000
		years	years		
<b>Operating</b>					
Infrastructure	1,025	100	-	-	1,125
Corporate/Administration	238	237	-	-	475
Waste Management	805	2,907	-	-	3,712
Meals for delivery	328	-	-	-	328
<b>Total</b>	<b>2,396</b>	<b>3,244</b>	<b>-</b>	<b>-</b>	<b>5,640</b>
<b>Capital</b>					
Infrastructure	1,438	-	-	-	1,438
Plant	256	-	-	-	256
<b>Total</b>	<b>1,694</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,694</b>

	2018	2017
	\$'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	37	16
Later than one year and not later than five years	74	48
Later than five years	-	-
	<u>111</u>	<u>64</u>

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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**5.1 Property, infrastructure, plant and equipment**

**Summary of property, infrastructure, plant and equipment**

	<b>At Fair Value 30 June 2017</b>	<b>Additions</b>	<b>Contributions</b>	<b>Impairment Reversal</b>	<b>Depreciation</b>	<b>Disposal</b>	<b>Write-off</b>	<b>Transfers</b>	<b>At Fair Value 30 June 2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property	69,334	1,059	-	-	(1,298)	-	-	62	69,157
Plant and equipment	30,677	1,950	-	-	(1,470)	(140)	(43)	-	30,974
Infrastructure	213,309	7,020	-	947	(7,303)	-	-	193	214,166
Work in progress	588	369	-	-	-	-	(2)	(255)	700
	<b>313,908</b>	<b>10,398</b>	<b>-</b>	<b>947</b>	<b>(10,071)</b>	<b>(140)</b>	<b>(45)</b>	<b>-</b>	<b>314,997</b>

**Summary of Work in Progress**

	<b>Opening WIP</b>	<b>Additions</b>	<b>Write-off</b>	<b>Transfers</b>	<b>Closing WIP</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property	69	160	-	(62)	167
Plant and equipment	15	-	(2)	-	13
Infrastructure	504	209	-	(193)	520
Total	<b>588</b>	<b>369</b>	<b>(2)</b>	<b>(255)</b>	<b>700</b>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

*Asset recognition thresholds and depreciation periods*

	Depreciation Period	Threshold Limit \$'000
Land & land improvements		
land	-	-
land improvements	100 years	1
Buildings		
buildings	25-110 years	1
Plant and Equipment		
plant, machinery and equipment	3-15 years	1
fixtures, fittings & furniture	3-15 years	1
Computers & telecommunications	3-5 years	1
Infrastructure		
road pavements & substructures - Urban	115 years	1
road pavements & substructures - All Others	60 years	1
Seals - All Other	43 years	1
Seals - Asphalt	28 years	1
road kerb, channel and minor culverts	97-100 years	1
bridges deck	100 years	1
bridges substructure	100 years	1
footpaths and cycleways	10-70 years	1
drainage	100 years	1

Notes to the Financial Report  
For the Year Ended 30 June 2018

(a) Property

	Land - specialised	Land - non specialised	Total Land & Land Improvements	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	13,121	583	13,704	96,500	96,500	69	110,273
Accumulated depreciation at 1 July 2017	-	(127)	(127)	(40,743)	(40,743)	-	(40,870)
	13,121	456	13,577	55,757	55,757	69	69,403
<b>Movements in fair value</b>							
Additions	-	-	-	1,059	1,059	160	1,219
	-	-	-	1,059	1,059	160	1,219
<b>Movements in accumulated depreciation</b>							
Depreciation and amortisation	-	(6)	(6)	(1,292)	(1,292)	-	(1,298)
Transfers	-	-	-	62	62	(62)	-
	-	(6)	(6)	(1,230)	(1,230)	(62)	(1,298)
At fair value 30 June 2018	13,121	583	13,704	97,559	97,559	229	111,492
Accumulated depreciation at 30 June 2018	-	(133)	(133)	(41,973)	(41,973)	(62)	(42,168)
	13,121	450	13,571	55,586	55,586	167	69,324

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**(b) Plant and Equipment**

	<b>Plant machinery and equipment</b>	<b>Fixtures fittings and furniture</b>	<b>Art Collection</b>	<b>Library Books</b>	<b>WIP</b>	<b>Total plant and equipment</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At fair value 1 July 2017	11,797	3,039	22,469	486	15	<b>37,806</b>
Accumulated depreciation at 1 July 2017	(5,678)	(1,436)	-	-	-	<b>(7,114)</b>
	<b>6,119</b>	<b>1,603</b>	<b>22,469</b>	<b>486</b>	<b>15</b>	<b>30,692</b>
<b>Movements in fair value</b>						
Additions	1,581	133	180	56	-	<b>1,950</b>
Disposal	(140)	-	-	-	-	<b>(140)</b>
Write-off	(48)	-	-	(49)	(2)	<b>(99)</b>
	<b>1,393</b>	<b>133</b>	<b>180</b>	<b>7</b>	<b>(2)</b>	<b>1,711</b>
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	(1,049)	(421)	-	-	-	<b>(1,470)</b>
Accumulated depreciation of disposals	54	-	-	-	-	<b>54</b>
	<b>(995)</b>	<b>(421)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,416)</b>
At fair value 30 June 2018	13,190	3,172	22,649	493	13	<b>39,517</b>
Accumulated depreciation at 30 June 2018	(6,673)	(1,857)	-	-	-	<b>(8,530)</b>
	<b>6,517</b>	<b>1,315</b>	<b>22,649</b>	<b>493</b>	<b>13</b>	<b>30,987</b>

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**(c) Infrastructure**

	<b>Roads</b>	<b>Bridges</b>	<b>Footpaths and cycleways</b>	<b>Drainage</b>	<b>Aerodromes</b>	<b>Other Infrastructure</b>	<b>Work In Progress</b>	<b>Total Infrastructure</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At fair value 1 July 2017	292,039	44,635	16,103	9,564	3,684	30,266	504	<b>396,795</b>
Accumulated depreciation at 1 July 2017	(137,398)	(17,565)	(6,420)	(4,929)	(1,510)	(15,160)	-	<b>(182,982)</b>
	154,641	27,070	9,683	4,635	2,174	15,106	504	<b>213,813</b>
<b>Movements in fair value</b>								
Additions	4,270	295	160	-	62	2,233	209	<b>7,229</b>
Transfers	153	-	-	-	-	40	(193)	<b>-</b>
	4,423	295	160	-	62	2,273	16	<b>7,229</b>
<b>Movements in accumulated depreciation</b>								
Depreciation and amortisation	(5,321)	(460)	(300)	(97)	(149)	(976)	-	<b>(7,303)</b>
Impairment Reversals	947	-	-	-	-	-	-	<b>947</b>
	(4,374)	(460)	(300)	(97)	(149)	(976)	-	<b>(6,356)</b>
At fair value 30 June 2018	296,462	44,930	16,263	9,564	3,746	32,539	520	<b>404,024</b>
Accumulated depreciation at 30 June 2018	(141,772)	(18,025)	(6,720)	(5,026)	(1,659)	(16,136)	-	<b>(189,338)</b>
	154,690	26,905	9,543	4,538	2,087	16,403	520	<b>214,686</b>



**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

*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 below 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 Stephen Davey AAPI CPV 63379 Qualified Valuer of Opteon Property Group. 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 unserved) 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 2018/19.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

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	Level2	Level 3	Date of Valuation
Land	0	0	13,121	Jan-16
Land Improvements	0	0	450	-
Buildings	0	0	55,586	Jan-16
Total	0	0	69,157	

**Valuation of infrastructure**

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Aten Kumar, Manager Engineering and Projects (Bachelor of Highway Technologies) as at 30 June 2015. (Apart from Drainage and Other Infrastructure)

The date of the current valuation is detailed in the following table. A full revaluation of these assets will be conducted in 2019/20.

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	Level2	Level 3	Date of Valuation
Roads	-	-	154,690	Jun-15
Bridges	-	-	26,905	Jun-15
Footpaths and cycleways	-	-	9,543	Jun-15
Drainage	-	-	4,538	Jun-15
Aerodromes	-	-	2,087	Jun-15
Other infrastructure	-	-	16,403	Jun-15
Total	-	-	214,166	

**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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions.

**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 \$181 to \$8,363 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 3 years to 70 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 28 years to 115 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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5.2 Investment property</b>		
Balance at beginning of financial year	1,100	1,063
Additions	-	-
Disposals	-	-
Fair value adjustments	1,720	37
Balance at end of financial year	<u>2,820</u>	<u>1,100</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

***Valuation of investment property***

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Property Group who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	2018	2017
	No.	No.
<b>Note 6 People and relationships</b>		
<b>6.1 Council and key management remuneration</b>		
<b>(a) Related Parties</b>		
<i>Parent entity</i>		
Southern Grampians Shire Council		
<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 MA Brown - Mayor		
Councillor C Sharples - Deputy Mayor		
Councillor C Dunkley		
Councillor G McAdam		
Councillor C Armstrong		
Councillor A Calvano		
Councillor K A Rainsford		
<b>Total Number of Councillors</b>	7	11
<b>Chief Executive Officer and other Key Management Personnel</b>		
Michael G Tudball - Chief Executive Officer		
Michael M McCarthy - Director Shire Futures		
David J Moloney - Director Shire Infrastructure		
Evelyn M Arnold - Director Community & Corporate Services	4	5
<b>Total Key Management Personnel</b>	11	16
<b>(c) Remuneration of Key Management Personnel</b>		
Total remuneration of key management personnel was as follows:		
Short-term benefits	892	844
Long-term benefits	16	75
Post Employment benefits	64	60
Termination benefits	-	-
Total	972	979
The numbers of key management personnel whose total remuneration from Council and any related entities, fall		
\$1 - \$9,999	-	3
\$10,000 - \$19,999	-	5
\$20,000 - \$29,999	6	3
\$40,000 - \$49,999	-	1
\$60,000 - \$69,999	1	-
\$120,000 - \$129,999	-	1
\$160,000 - \$169,999	1	2
\$170,000 - \$179,999	2	-
\$210,000 - \$219,999	-	1
\$240,000 - \$249,999	1	-
	11	16

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	2018	2017
	\$'000	\$'000
<b>6.2 Related party disclosure</b>		
<b>(a) Transactions with related parties</b>		

During the period Council entered into the following transactions with related parties.

*Nothing to Disclose*

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

The following balances are outstanding at the end of the reporting period in relation to transactions with related

*Nothing to Disclose*

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

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:

*Nothing to Disclose*

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

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:

*Nothing to Disclose*

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**Note 7 Managing uncertainties**

**7.1 Contingent assets and liabilities**

**(a) Contingent assets**

**Operating lease receivables**

The Council has entered into property leases on various miscellaneous properties. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than one year	114	271
Later than one year and not later than five years	365	421
Later than five years	125	26
	<hr/>	<hr/>
	604	718

**(b) Contingent liabilities**

**September 2016 Flood & Storm Event**

As a result of the floods in September 2016, and damaged incurred, Council has received commitments from both the State and Federal Governments to fund approximately \$40m of repair/restoration works of damaged assets over the period to June 2019. This funding is contingent upon the Council completing appropriate claim forms for costs incurred. This funding agreement may not cover the full extent of the damaged assets.

**Superannuation**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

**Mount Napier Quarry**

Council has identified a potential liability for the remediation of the Mt Napier Quarry. This quarry is currently under lease arrangement and Council expects to quantify any remediation obligations in 2018/2019.

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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**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(b).

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.



**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**(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 the amounts related to financial guarantees disclosed in Note 7.1(c), 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% and -1% in market interest rates (AUD) from year-end rates of 2.75%.

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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

*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 4 to 10 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.

**7.5 Events occurring after balance date**

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

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**Note 8 Other matters**

8.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation of <name asset class> by an associate	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000	\$'000
<b>2018</b>				
<b>Property</b>				
Land	4,929	-	-	4,929
Buildings	38,560	-	-	38,560
Art collection	2,976	-	-	2,976
Plant & equipment	474	-	-	474
	<u>46,939</u>	-	-	<u>46,939</u>
<b>Infrastructure</b>				
Roads	119,515	-	-	119,515
Bridges	22,186	-	-	22,186
Footpaths and cycleways	7,318	-	-	7,318
Drainage	4,189	-	-	4,189
Other infrastructure	316	-	-	316
	<u>153,524</u>	-	-	<u>153,524</u>
<b>Total asset revaluation reserves</b>	<b><u>200,463</u></b>	<b>-</b>	<b>-</b>	<b><u>200,463</u></b>
<b>2017</b>				
<b>Property</b>				
Land	4,929	-	-	4,929
Buildings	38,560	-	-	38,560
Art collection	2,976	-	-	2,976
Plant & equipment	474	-	-	474
	<u>46,939</u>	-	-	<u>46,939</u>
<b>Infrastructure</b>				
Roads	119,515	-	-	119,515
Bridges	22,186	-	-	22,186
Footpaths and cycleways	7,318	-	-	7,318
Drainage	4,189	-	-	4,189
Other infrastructure	316	-	-	316
	<u>153,524</u>	-	-	<u>153,524</u>
<b>Total asset revaluation reserves</b>	<b><u>200,463</u></b>	<b>-</b>	<b>-</b>	<b><u>200,463</u></b>

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

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2018</b>				
Subdividers Contributions	233			233
Parking Development Reserve	98			98
Drainage Headworks Reserve	97			97
Waste Levy Reserve	311	40	-	351
<b>Total Other reserves</b>	<b>739</b>	<b>40</b>	<b>-</b>	<b>779</b>
<b>2017</b>				
Subdividers Contributions	207	26	-	233
Parking Development Reserve	98			98
Drainage Headworks Reserve	97			97
Waste Levy Reserve	270	41		311
<b>Total Other reserves</b>	<b>672</b>	<b>67</b>	<b>-</b>	<b>739</b>

Subdividers Contributions are in lieu of provision of recreational land within a subdivision. These funds are used to develop strategically located parks and reserves for the benefit of residents in the general area, as provided in the Subdivision Act 1988 and Planning and Environment Act 1987.

The Parking Development Reserve is in lieu of provision of off-site parking as part of a development. These funds are used for the purchase and development of public access parking in the general area.

The Drainage Headworks Reserve is in lieu of meeting the cost to develop, upgrade and/or renew drainage infrastructure downstream of any subdivision development, a charge is levied on subdivision developers.

The Waste Levy Reserve is in lieu of meeting the cost to develop, upgrade and/or renew waste infrastructure. A charge is levied on waste fees and transfer stations as waste is deposited in these facilities.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

	<b>2018</b>	<b>2017</b>
<b>8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>	<b>\$'000</b>	<b>\$'000</b>
Surplus/(deficit) for the year	2,046	(4,192)
Depreciation/amortisation	10,071	10,172
Impairment	-	14,430
Asset write-offs	49	1,950
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(6)	6
Fair value adjustments for investment property	(1,720)	(37)
Found Assets	-	(442)
Contributions - Non-monetary assets	(148)	(433)
Other	176	191
Change in assets and liabilities:	-	
(Increase)/Decrease in trade and other receivables	(204)	(140)
(Increase)/Decrease in prepayments	(495)	(82)
(Increase)/Decrease in inventories	18	15
Increase/(Decrease) in trade and other payables	1,858	157
Increase/(Decrease) in provisions	(728)	142
Increase/(Decrease) in other liabilities	156	(24)
Net cash provided by/(used in) operating activities	<u>11,073</u>	<u>21,713</u>

**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 triennial/full actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Southern Grampians is a contributing employer was 103.1%. The financial assumptions used to calculate the VBIs were:

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

Vision Super has advised that the VBI at 30 June 2018 was 106%.

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.

**Notes to the Financial Report**  
**For the Year Ended 30 June 2018**

**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.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2017.

**2018 interim actuarial investigation**

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2018 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2018.