

**Southern Grampians Shire Council
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2019

Southern Grampians Shire Council
Financial Report
Table of Contents

| FINANCIAL REPORT | Page |
|---|-------------|
| Certification of the Financial Statements | 1 |
| Victorian Auditor-General's Office Audit Report | 2 |
| Financial Statements | |
| Comprehensive Income Statement | 4 |
| Balance Sheet | 5 |
| Statement of Changes in Equity | 6 |
| Statement of Cash Flows | 7 |
| Statement of Capital Works | 8 |
| Overview | 9 |
| Notes to Financial Statements | |
| Note 1 Performance against budget | 10 |
| 1.1. Income and expenditure | 10 |
| 1.2. Capital works | 12 |
| Note 2.1 Analysis of Council results by program | 14 |
| Note 3 Funding for the delivery of our services | 16 |
| 3.1. Rates and charges | 16 |
| 3.2. Statutory fees and fines | 16 |
| 3.3. User fees | 16 |
| 3.4. Funding from other levels of government | 17 |
| 3.5. Contributions | 18 |
| 3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment | 18 |
| 3.7. Other income | 19 |
| Note 4 The cost of delivering services | 19 |
| 4.1. Employee costs | 19 |
| 4.2. Materials and services | 19 |
| 4.3. Depreciation and amortisation | 20 |
| 4.4. Bad and doubtful debts | 20 |
| 4.5. Borrowing costs | 20 |
| 4.6. Other expenses | 20 |
| Note 5 Our financial position | 21 |
| 5.1. Financial assets | 21 |
| 5.2. Non-financial assets | 23 |
| 5.3. Payables | 23 |
| 5.4. Interest-bearing liabilities | 24 |
| 5.5. Provisions | 24 |
| 5.6. Financing arrangements | 26 |
| 5.7. Commitments | 26 |
| Note 6 Assets we manage | 27 |
| 6.1. Non current assets classified as held for sale | 27 |
| 6.2. Property, infrastructure plant and equipment | 28 |
| 6.3. Investment property | 33 |
| Note 7 People and relationships | 34 |
| 7.1. Council and key management remuneration | 34 |
| 7.2. Related party disclosure | 35 |
| Note 8 Managing uncertainties | 36 |
| 8.1. Contingent assets and liabilities | 36 |
| 8.2. Change in accounting standards | 37 |
| 8.3. Financial instruments | 38 |
| 8.4. Fair value measurement | 40 |
| 8.5. Events occurring after balance date | 40 |
| Note 9 Other matters | 41 |
| 9.1. Reserves | 41 |
| 9.2. Reconciliation of cash flows from operating activities to surplus/(deficit) | 43 |
| 9.3. Superannuation | 43 |

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.

Belinda J Johnson, B Comm. CPA,
Principal Accounting Officer

Date : 11 September 2019
Hamilton

In our opinion the accompanying financial statements present fairly the financial transactions of <Name> 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 Mary-Ann Brown
Councillor
Date : 11 September 2019
Hamilton

Cr Colin B Dunkley
Councillor
Date : 11 September 2019
Hamilton

Michael G Tudball
Chief Executive Officer
Date : 11 September 2019
Hamilton

<INSERT VAGO REPORT - PAGE 1>

<INSERT VAGO REPORT - PAGE 2>

Comprehensive Income Statement For the Year Ended 30 June 2019

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|-----------------|-----------------|
| Income | | | |
| Rates and charges | 3.1 | 20,206 | 19,706 |
| Statutory fees and fines | 3.2 | 598 | 584 |
| User fees | 3.3 | 5,716 | 5,901 |
| Grants - operating | 3.4 | 11,745 | 10,187 |
| Grants - capital | 3.4 | 29,226 | 7,972 |
| Contributions - non monetary | 3.5 | - | 148 |
| Reversal of Impairment | 6.2 | 13,483 | 947 |
| Net gain (or loss) on disposal of property, infrastructure, plant and equipment | 3.6 | 182 | 5 |
| Other income | 3.7 | 1,682 | 1,650 |
| Total income | | 82,838 | 47,100 |
| Expenses | | | |
| Employee costs | 4.1 | (19,322) | (17,694) |
| Materials and services | 4.2 | (32,501) | (16,630) |
| Depreciation and amortisation | 4.3 | (9,157) | (10,071) |
| Bad and doubtful debts | 4.4 | (110) | (75) |
| Borrowing costs | 4.5 | (138) | (164) |
| Adjustment to Landfill Provision | 5.5 | (2,811) | 931 |
| Revaluation of Art Collection | 6.2 | (2,684) | - |
| Fair value adjustments for investment property | 6.4 | (100) | 1,720 |
| Other expenses | 4.6 | (4,018) | (3,073) |
| Total expenses | | (70,841) | (45,056) |
| Surplus/(deficit) for the year | | 11,997 | 2,044 |
| Other comprehensive income | | | |
| Items that will not be reclassified to surplus or deficit in future periods | | | |
| Net asset revaluation increment/(decrement) | 6.2 | (14,379) | - |
| Total comprehensive result | | (2,382) | 2,044 |

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 |
|--|------|----------------|----------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 5.1 | 11,558 | 8,518 |
| Trade and other receivables | 5.1 | 8,424 | 3,724 |
| Other financial assets | 5.1 | 10,567 | 15,956 |
| Inventories | 5.2 | 600 | 1,095 |
| Non-current assets classified as held for sale | 6.1 | 510 | - |
| Other assets | 5.2 | 959 | 1,043 |
| Total current assets | | 32,618 | 30,336 |
| Non-current assets | | | |
| Trade and other receivables | 5.1 | 74 | 96 |
| Property, infrastructure, plant and equipment | 6.2 | 313,127 | 314,997 |
| Investment property | 6.3 | 2,720 | 2,820 |
| Total non-current assets | | 315,921 | 317,913 |
| Total assets | | 348,539 | 348,249 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 5.3 | 3,554 | 4,070 |
| Trust funds and deposits | 5.3 | 639 | 353 |
| Provisions | 5.5 | 6,100 | 6,962 |
| Interest-bearing liabilities | 5.4 | 376 | 409 |
| Total current liabilities | | 10,669 | 11,794 |
| Non-current liabilities | | | |
| Provisions | 5.5 | 4,962 | 793 |
| Interest-bearing liabilities | 5.4 | 1,482 | 1,853 |
| Total non-current liabilities | | 6,444 | 2,646 |
| Total liabilities | | 17,113 | 14,440 |
| Net assets | | 331,426 | 333,809 |
| Equity | | | |
| Accumulated surplus | | 144,480 | 132,567 |
| Reserves | 9.1 | 186,946 | 201,242 |
| Total Equity | | 331,426 | 333,809 |

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

Statement of Changes in Equity For the Year Ended 30 June 2019

| 2019 | Note | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|------|-----------------|----------------------------------|----------------------------------|-----------------------------|
| Balance at beginning of the financial year | | 333,809 | 132,567 | 200,463 | 779 |
| Surplus/(deficit) for the year | | 11,996 | 11,996 | - | - |
| Net asset revaluation increment/(decrement) | 6.2 | (14,379) | - | (14,379) | - |
| Transfers to other reserves | 9.1 | - | (83) | - | 83 |
| Transfers from other reserves | 9.1 | - | - | - | - |
| Balance at end of the financial year | | 331,426 | 144,480 | 186,084 | 862 |

| 2018 | | Total \$'000 | Accumulated Surplus \$'000 | Revaluation Reserve \$'000 | Other Reserves \$'000 |
|---|-----|-----------------|----------------------------------|----------------------------------|-----------------------------|
| 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) | 6.2 | - | - | - | - |
| Transfers to other reserves | 9.1 | - | (40) | - | 40 |
| Transfers from other reserves | 9.1 | - | - | - | - |
| Balance at end of the financial year | | 333,809 | 132,567 | 200,463 | 779 |

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 2019

| | Note | 2019 Inflows/ (Outflows) \$'000 | 2018 Inflows/ (Outflows) \$'000 |
|---|------|--|--|
| Cash flows from operating activities | | | |
| Rates and charges | | 20,242 | 19,647 |
| Statutory fees and fines | | 598 | 609 |
| User fees | | 5,738 | 6,290 |
| Grants - operating | | 11,745 | 10,187 |
| Grants - capital | | 29,226 | 7,972 |
| Contributions - monetary | | - | - |
| Interest received | | 627 | 624 |
| Dividends received | | - | - |
| Trust funds and deposits taken | | 842 | 241 |
| Other receipts | | 1,056 | 1,026 |
| Net GST refund/payment | | (734) | (596) |
| Employee costs | | (18,827) | (17,513) |
| Materials and services | | (23,566) | (14,308) |
| Trust funds and deposits repaid | | (556) | (85) |
| Other payments | | (3,596) | (3,021) |
| Net cash provided by/(used in) operating activities | | 22,795 | 11,073 |
| Cash flows from investing activities | | | |
| Payments for property, infrastructure, plant and equipment | 6.2 | (25,167) | (11,197) |
| Proceeds from sale of property, infrastructure, plant and equipment | | 565 | 140 |
| Payments for investments | | 5,389 | 5,174 |
| Proceeds from sale of investments | | - | - |
| Loans and advances made | | - | - |
| Payments of loans and advances | | - | - |
| Net cash provided by/(used in) investing activities | | (19,213) | (5,883) |
| Cash flows from financing activities | | | |
| Finance costs | | (138) | (164) |
| Proceeds from borrowings | | - | - |
| Repayment of borrowings | | (404) | (383) |
| Net cash provided by/(used in) financing activities | | (542) | (547) |
| Net increase (decrease) in cash and cash equivalents | | 3,040 | 4,643 |
| Cash and cash equivalents at the beginning of the financial year | | 8,518 | 3,875 |
| Cash and cash equivalents at the end of the financial year | | 11,558 | 8,518 |
| 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 Year Ended 30 June 2019**

| | Note | 2019 \$'000 | 2018 \$'000 |
|--|------|----------------|----------------|
| Property | | | |
| Land | | 104 | 15 |
| Total land | | <u>104</u> | <u>15</u> |
| Buildings | | 803 | 820 |
| Building improvements | | 33 | 186 |
| Total buildings | | <u>836</u> | <u>1,006</u> |
| Total property | | <u>940</u> | <u>1,021</u> |
| Plant and equipment | | | |
| Plant, machinery and equipment | | 1,504 | 1,606 |
| Fixtures, fittings and furniture | | 26 | 131 |
| Computers and telecommunications | | 298 | 241 |
| Library books | | 70 | 57 |
| Art Collection | | 10 | - |
| Total plant and equipment | | <u>1,908</u> | <u>2,035</u> |
| Infrastructure | | | |
| Roads | | 13,948 | 9,750 |
| Bridges | | 6,477 | 443 |
| Footpaths and cycleways | | 760 | 248 |
| Drainage | | 148 | 30 |
| Recreational, leisure and community facilities | | 1,077 | 287 |
| Waste management | | 922 | 481 |
| Parks, open space and streetscapes | | 896 | 12 |
| Aerodromes | | 112 | 101 |
| Livestock Exchange | | 501 | 1,847 |
| Other infrastructure | | 769 | 1,081 |
| Total infrastructure | | <u>25,610</u> | <u>14,280</u> |
| Total capital works expenditure | | <u>28,458</u> | <u>17,336</u> |
| Represented by: | | | |
| New asset expenditure | | 1,721 | 1,967 |
| Asset renewal expenditure | | 26,646 | 14,363 |
| Asset expansion expenditure | | - | 45 |
| Asset upgrade expenditure | | 91 | 961 |
| Total capital works expenditure | | <u>28,458</u> | <u>17,336</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 2019

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 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)
- other areas requiring judgements

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 2019**

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 27 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

| | Budget 2019 \$'000 | Actual 2019 \$'000 | Variance 2019 \$'000 | Variance % | Ref |
|--|--------------------------|--------------------------|----------------------------|---------------|-----|
| Income | | | | | |
| Rates and charges | 19,607 | 20,206 | 599 | 3% | 1 |
| Statutory fees and fines | 395 | 598 | 203 | 51% | 2 |
| User fees | 5,750 | 5,716 | (34) | -1% | |
| Grants - operating | 11,281 | 11,745 | 464 | 4% | 3 |
| Grants - capital | 17,047 | 29,226 | 12,179 | 71% | 4 |
| Contributions - monetary | 267 | 0 | (267) | -100% | 5 |
| Net gain/(loss) on disposal of property, infrastructure, plant and equipment | - | 182 | 182 | 100% | 6 |
| Reversal of Prior years impairment | - | 13,483 | 13,483 | 100% | 7 |
| Other income | 2,073 | 1,682 | (391) | -19% | 8 |
| Total income | 56,420 | 82,838 | 26,418 | 47% | |
| Expenses | | | | | |
| Employee costs | (16,398) | (19,322) | (2,924) | 18% | 9 |
| Materials and services | (10,836) | (19,018) | (8,182) | 76% | 10 |
| Depreciation and amortisation | (11,052) | (9,158) | 1,894 | -17% | 11 |
| Bad and doubtful debts | 0 | (110) | (110) | 100% | 12 |
| Borrowing costs | (139) | (138) | 1 | -1% | |
| Adjustment to Landfill Provision | 0 | (2,811) | (2,811) | 100% | 13 |
| Revaluation of Art Collection | 0 | (2,684) | (2,684) | 100% | 14 |
| Fair value adjustments for investment property | 0 | (100) | (100) | 100% | 15 |
| Other expenses | (4,156) | (4,018) | 138 | -3% | 16 |
| Total expenses | (42,581) | (57,359) | (14,778) | 35% | |
| Surplus/(deficit) for the year | 13,839 | 25,479 | 11,640 | 84% | |

Notes to the Financial Report
For the Year Ended 30 June 2019

(i) Explanation of material variations

| Variance Ref | Item | Explanation |
|--------------|--|--|
| 1 | Rates and charges | The calculation of rate revenue for budget purposes offsets pensioner concessions \$416k and discount on rates \$156k against revenue. In financial statements they are transferred to expenses showing a higher revenue. |
| 2 | Statutory fees and fines | Building fees are higher by \$66k, Planning fees are higher by \$63k and Local Laws by \$16k, all of which are reliant on external forces to dictate the level of service. Other fees in a number of services are slightly higher than anticipated. |
| 3 | Grants - operating | Generally operating grants were in-line with anticipated levels expected. There were unbudgeted grants in strategic planning \$90k, performing arts \$80k, kindergartens \$20k, asset management \$40k and environmental sustainability \$66k. However the VGC again paid 50% of the 2018/19 allocation in 2017/18 and a further 50% of the 2019/20 allocation in the 2018/19 year resulting in some variance. The remaining variance - both in operating and capital grants is the result of difficult classification and payment of grant funds relating the restoration activities of the 2016 flood and storm event. |
| 4 | Grants - capital | Additional capital grants were achieved for the botanic gardens \$144k, Landfill \$100k, Livestock exchange \$199K and roadside assets \$267k. Other variances are as above relating to the 2016 flood and storm event. |
| 5 | Contributions - monetary | Contributions to capital works project were not collected due to the delayed timing of the project delivery - Botanic Gardens \$182k & Footpaths \$85k. |
| 6 | Net gain/(loss) on disposal of infrastructure, plant and equipment | Net profit from the sale of plant was \$31k and land sales was \$151k. |
| 7 | Reversal of Impairment | Relates to the reversal of impairment expenses on flood affected assets in 2016/17 |
| 7 | Other income | \$365k relates to anticipated reimbursements from flood restoration activities and the timing between the financial years of these activities. |
| 8 | Employee costs | The following payment types were above budgeted allocations: Casual wages \$415k, Overtime \$380k, Long Service Leave \$301k, public holidays \$427k, Other leave \$446k, oncosts not recovered \$402k and general wages and salaries \$513k. |
| 9 | Materials and services | The over expenditure in this area relates to flood restoration works and their timing from the previous financial year coupled with works which were originally budgeted to be capital expenses, however did not meet capitalisation criteria (restorative rather than renewal). |
| 10 | Depreciation and amortisation | Buildings were revalued during the financial year with a substantial decrease in the value and a resultant decrease in depreciation expenses of \$201k. Depreciation expense on roads is also lower due to the impact of depreciation on the reduced value of impaired assets during the year \$1.5m. |
| 11 | Bad and doubtful debts | Council has made provision for some debts that it believes it may not be able to recover, however is not yet certain. |
| 12 | Adjustment to Landfill Provision | Infrastructure reviewed both the short and long term amounts of rehabilitation works required, including monitoring costs for the next 10 years. This has substantially increased the provision required, despite substantial works completed during the year. |
| 13 | Revaluation of Art Collection | The Art Collection was revalued during the period resulting in a reduced value of \$17m from \$22.6m. Of the \$5.6m reduction, \$3m was written to the Asset Revaluation Reserve and \$2.6m being expensed. |
| 14 | Fair Value adjustments for investment property | Council revalues its investment property annually. Details are not disclosed due to commercial arrangements. |
| 15 | Other expenses | Council acted as auspice for a large Community grant of \$400k however this is offset by \$660k of waste revenue which was not realised and number of other minor variances. |

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 1 Performance against budget (cont'd)

1.2 Capital works

| | Budget 2019 \$'000 | Actual 2019 \$'000 | Variance 2019 \$'000 | Variance 2019 % | Ref |
|--|--------------------------|--------------------------|----------------------------|-----------------------|-----|
| Property | | | | | |
| Land | - | 85 | 85 | - | 1 |
| Land improvements | 1,665 | 104 | (1,561) | - | 2 |
| Total land | 1,665 | 189 | (1,476) | -89% | |
| Buildings | 1,306 | 718 | (588) | -45% | 3 |
| Heritage buildings | - | - | - | - | |
| Building improvements | 400 | 33 | (367) | -92% | 4 |
| Leasehold improvements | - | - | - | - | |
| Total buildings | 1,706 | 751 | (955) | -56% | |
| Total property | 3,371 | 940 | (2,431) | -72% | |
| Plant and equipment | | | | | |
| Heritage plant and equipment | - | - | - | - | |
| Plant, machinery and equipment | 2,568 | 1,504 | (1,064) | -41% | 5 |
| Fixtures, fittings and furniture | 30 | 26 | (4) | -13% | 6 |
| Computers and telecommunications | 285 | 298 | 13 | 5% | 7 |
| Library books | 70 | 70 | - | 0% | |
| Art Collection | 15 | 10 | (5) | -33% | 8 |
| Total plant and equipment | 2,968 | 1,908 | (1,060) | -36% | |
| Infrastructure | | | | | |
| Roads | 15,836 | 13,948 | (1,888) | -12% | 9 |
| Bridges | 2,451 | 6,477 | 4,026 | 164% | 10 |
| Footpaths and cycleways | 819 | 728 | (91) | -11% | |
| Drainage | 99 | 148 | 49 | 49% | 11 |
| Recreational, leisure and community facilities | 609 | 1,073 | 464 | 76% | 12 |
| Waste management | 3,218 | 922 | (2,296) | -71% | 13 |
| Parks, open space and streetscapes | 1,625 | 896 | (729) | -45% | 14 |
| Aerodromes | - | 112 | 112 | - | 15 |
| Livestock Exchange | 100 | 501 | 401 | 401% | 16 |
| Other infrastructure | 1,850 | 805 | (1,045) | -56% | 17 |
| Total infrastructure | 26,607 | 25,610 | (997) | -4% | |
| Total capital works expenditure | 32,946 | 28,458 | (4,488) | -14% | |
| Represented by: | | | | | |
| New asset expenditure | 1,143 | 1,721 | 578 | 51% | |
| Asset renewal expenditure | 31,723 | 26,646 | (5,077) | -16% | |
| Asset expansion expenditure | - | - | - | - | |
| Asset upgrade expenditure | 80 | 91 | 11 | 14% | |
| Total capital works expenditure | 32,946 | 28,458 | (4,488) | -14% | |

(i) Explanation of material variations

| Variance Ref | Item | Explanation |
|---------------------|--|---|
| 1 | Land | Council purchased land (with a building) in Cox Street, Hamilton as part of a long term project. |
| 2 | Land Improvements | Council is progressing a long term project for the development of large scale industrial lots. Timing of this project has been delayed. |
| 3 | Buildings | Pedrina Park Hockey Clubrooms have not commenced \$100k, Melville Oval building improvements did not take place \$150k and \$750k of priority works following a detailed condition assessment commenced later than anticipated. This was offset by carry forward projects at the animal pound \$70k, PV Solar at the Hamilton Depot \$82k and some flood related works. |
| 4 | Building Improvements | See note 3 |
| 5 | Plant, machinery and equipment | Several large items of plant were ordered early in the financial year, however due to specific customisation and market pressures, these have not been delivered. |
| 6 | Fixtures, fittings and furniture | This relates to a single project - the Fly tower cage which was delivered under budget. |
| 7 | Computers and telecommunications | Of the \$250k allocated to the Smart Communities project, only \$144k was spent however an electronic fuel management system was carried forward from the previous year \$99k. |
| 8 | Art Collection | Only 2 pieces were acquired during the year. |
| 9 | Roads | Infrastructure works were generally carried out within budget allocations, however the complexity of the accounting for the flood restoration works and the classification between operating and capital expenses was inaccurate. |
| 10 | Bridges | See Note 9 |
| 11 | Drainage | 6 of the 7 budgeted projects were delivered over cost \$22k with an addition 5 project for \$22k. |
| 12 | Recreational, leisure and community facilities | Projects relating the flood affected infrastructure were completed outside original budget timeframes. |
| 13 | Waste management | Hamilton Landfill works were \$898k less and Coleraine \$183k less than budgeted, \$1.435m for the design of the Hamilton Landfill was also revised. |
| 14 | Parks, open space and streetscapes | Cox street works \$265k of the \$1.25m allocation was commenced. |
| 15 | Aerodromes | Whilst no allocation was made in the budget, projects of \$112k were carried forward from the previous year. |
| 16 | Livestock Exchange | Timing of projects and alignment with additional funding has seen various projects carried out at the exchange this year. |
| 17 | Other infrastructure | Dunkeld-Mount Sturgeon walk was \$363k underspend, Lake Hamilton \$80k, flood restoration works \$675k. |

Notes to the Financial Report For the Year Ended 30 June 2019

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities grouped under the following themes.

- * Supporting the Community
- * Developing the regional economy and businesses
- * Planning for our built environment & infrastructure
- * Promoting our natural environment
- * Providing Governance and Leadership

2 (a) Supporting the Community

Service Objective: To support our community to be vibrant, growing, healthy, inclusive and connected, we will continue to plan, deliver and improve high quality, cost effective, accessible and responsive services.

Services include: community support services, community planning and engagement, children's services, sport and recreation planning and delivery, cultural services, parks and gardens, local laws and emergency management.

Developing the regional economy and businesses

Service Objective: To develop our regional economy and businesses and achieve a strong, diversified local and regional economy.

Services include: economic and business development, events support, tourism and visitor services, caravan parks, Land development, airport and livestock exchange operations and development.

Planning for our built environment & infrastructure

Service Objective: To plan for our built environment and infrastructure that is accessible and meets the needs of the community.

Services include: Statutory & strategic planning, building services, infrastructure management (roads, bridges, footpaths etc), Facilities and Property planning, maintenance and management, plant operations and public infrastructure (eg public toilets).

Promoting our natural environment

Service Objective: To promote our natural environment and achieve a culture that sustains a clean, green and sustainable environment.

Services include: waste and recycling collection and management, transfer station operations, environmental sustainability, fire prevention, natural asset management (nature reserves) stormwater drainage, quarry management and water source management.

Providing Governance and Leadership

Service Objective: To provide good governance and strong leadership and to achieve effective service delivery.

Services include: Executive and Councillor support, governance administration, support services such as finance, organisational development, customer services, business systems, risk management and corporate overheads such as rate revenue, General Purpose Grants and loan servicing.

Note: Council provides further details of each service in its report of operations.

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 2.1 Analysis of Council results by program

2.1 (b) 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 |
| 2019 | | | | | |
| Supporting the Community | (32,039) | 23,506 | (8,533) | (28,721) | 53,068 |
| Planning and Development | (2,246) | 4,047 | 1,801 | (455) | 6,211 |
| Planning for our built environment & infrastructure | (17,290) | 32,206 | 14,916 | (3,233) | 250,449 |
| Promoting our natural environment | (2,134) | 7,210 | 5,076 | (703) | 4,978 |
| Providing Governance and Leadership | (29,129) | 3,874 | (25,255) | (7,858) | 33,833 |
| | (82,838) | 70,842 | (11,996) | (40,971) | 348,539 |

| | Income | Expenses | Surplus/ (Deficit) | Grants included in income | Total assets |
|---|----------|----------|-----------------------|---------------------------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2018 | | | | | |
| Supporting the Community | (10,001) | 15,141 | 5,140 | (6,463) | 70,859 |
| Planning and Development | (2,657) | 3,533 | 876 | (1,219) | 7,775 |
| Planning for our built environment & infrastructure | (5,930) | 22,739 | 16,809 | (3,199) | 230,100 |
| Promoting our natural environment | (3,323) | 3,083 | (240) | (61) | 4,103 |
| Providing Governance and Leadership | (27,839) | 3,210 | (24,629) | (7,217) | 35,412 |
| | (49,751) | 47,707 | (2,044) | (18,159) | 348,249 |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | | |
|--|---------------|---------------|
| Note 3 Funding for the delivery of our services | 2019 | 2018 |
| 3.1 Rates and charges | \$'000 | \$'000 |

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 2018/19 was \$3,573 million (2017/18 \$3,380 million).

| | | |
|--------------------------------|---------------|---------------|
| General rates | 16,398 | 15,972 |
| Municipal charge | 1,828 | 1,792 |
| Garbage & Recycling Charge | 1,681 | 1,660 |
| Green Waste Charge | 115 | 101 |
| Special rates and charges | 4 | 5 |
| Revenue in lieu of rates | 180 | 176 |
| Total rates and charges | 20,206 | 19,706 |

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2019, and the valuation will be first applied in the rating year commencing 1 July 2019.

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 | 48 | 44 |
| Registrations | 110 | 111 |
| Town planning fees | 166 | 121 |
| Land information certificates | 17 | 16 |
| Permits | 257 | 292 |
| Total statutory fees and fines | 598 | 584 |

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

| | | |
|--|--------------|--------------|
| Cinema Operations | 299 | 278 |
| Family Day Care | 163 | 288 |
| Hamilton Indoor Leisure & Aquatic Centre | 1,041 | 1,070 |
| Home & Community Care Services | 434 | 557 |
| Livestock Exchange | 1,521 | 1,338 |
| Meals Services | 209 | 230 |
| Old Hamilton Reservoir | 11 | 106 |
| Performing Arts Centre | 134 | 140 |
| Parking | 111 | 113 |
| Quarry Operations | 184 | 202 |
| Waste management services | 1,235 | 1,152 |
| Other fees and charges | 374 | 427 |
| Total user fees | 5,716 | 5,901 |

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 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| 3.4 Funding from other levels of government | | |
| Grants were received in respect of the following : | | |
| Summary of grants | | |
| Commonwealth funded grants | 11,625 | 12,101 |
| State funded grants | 29,346 | 6,058 |
| Total grants received | 40,971 | 18,159 |
| (a) Operating Grants | | |
| <i>Recurrent - Commonwealth Government</i> | | |
| Financial Assistance Grants | 7,812 | 7,201 |
| Family day care | 357 | 298 |
| General home care | 987 | 904 |
| Other | 118 | 127 |
| <i>Recurrent - State Government</i> | | |
| Art Gallery | 113 | 120 |
| Aged care | 445 | 604 |
| Cultural Services | 80 | 80 |
| Libraries | 168 | 167 |
| Childrens Services | 353 | 322 |
| Community safety | 54 | 53 |
| Other | 6 | 13 |
| Total recurrent operating grants | 10,493 | 9,889 |
| <i>Non-recurrent - Commonwealth Government</i> | | |
| Buildings | 500 | - |
| Local Infrastructure | 80 | - |
| Other | 12 | - |
| <i>Non-recurrent - State Government</i> | | |
| Community health | 9 | - |
| Community Planning & Support | 38 | 41 |
| Environmental Management | 107 | 50 |
| Recreation | 218 | 207 |
| Cultural Services | 80 | - |
| Local Infrastructure | 113 | - |
| Other | 95 | - |
| Total non-recurrent operating grants | 1,252 | 298 |
| Total operating grants | 11,745 | 10,187 |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------------|---------------------|
| (b) Capital Grants | | |
| Recurrent - Commonwealth Government | | |
| Roads to recovery | 1,528 | 3,064 |
| Recurrent - State Government | | |
| Total recurrent capital grants | <u>1,528</u> | <u>3,064</u> |
| Non-recurrent - Commonwealth Government | | |
| Buildings | - | - |
| Other Infrastructure | 31 | 108 |
| Livestock Exchange | 200 | 399 |
| Non-recurrent - State Government | | |
| Art Gallery | 32 | - |
| Airport | - | 13 |
| Buildings | 1,100 | 6 |
| Other Infrastructure | 1,043 | 263 |
| Livestock Exchange | 33 | 462 |
| Childrens Services | 20 | 3 |
| Recreation | 144 | 10 |
| Flood Recovery | 25,095 | 3,644 |
| <i>Add additional grants grouped by type as appropriate</i> | - | - |
| Total non-recurrent capital grants | <u>27,698</u> | <u>4,908</u> |
| Total capital grants | <u><u>29,226</u></u> | <u><u>7,972</u></u> |
| (c) Unspent grants received on condition that they be spent in a specific manner | | |
| Balance at start of year | 1,172 | 2,900 |
| Received during the financial year and remained unspent at balance date | 925 | 1,172 |
| Received in prior years and spent during the financial year | (736) | (2,900) |
| Balance at year end | <u>1,361</u> | <u>1,172</u> |

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

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| 3.5 Contributions | | |
| Non-monetary | - | 148 |
| Total contributions | <u>-</u> | <u>148</u> |
| <i>Contributions of non monetary assets were received in relation to the following asset classes.</i> | | |
| Art Collection | | 148 |
| Total non-monetary contributions | <u>-</u> | <u>148</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 | 564 | 140 |
| Written down value of assets disposed | (382) | (135) |
| Total net gain/(loss) on disposal of property, infrastructure, plant and equipment | <u>182</u> | <u>5</u> |

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

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 \$'000 | 2018 \$'000 |
|---------------------------|----------------|----------------|
| 3.7 Other income | | |
| Interest | 627 | 706 |
| Vicroads | 106 | 202 |
| Insurance Reimbursements | 550 | 302 |
| Other | 399 | 440 |
| Total other income | 1,682 | 1,650 |

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 (a) Employee costs

| | | |
|------------------------------------|---------------|---------------|
| Wages and salaries | 13,592 | 13,348 |
| Leave- Annual, Long Service & Sick | 2,833 | 1,950 |
| WorkCover | 539 | 471 |
| Superannuation | 1,642 | 1,459 |
| Travelling | 177 | 140 |
| Conferences & Training | 432 | 185 |
| Fringe benefits tax | 102 | 136 |
| Corporate Image | 5 | 5 |
| Total employee costs | 19,322 | 17,694 |

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

| | | |
|--|-----------|-----------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 62 | 55 |
| | <u>62</u> | <u>55</u> |
| Employer contributions payable at reporting date. | - | - |

Accumulation funds

| | | |
|--|--------------|--------------|
| Employer contributions to Local Authorities Superannuation Fund (Vision Super) | 1,101 | 1,036 |
| Employer contributions - other funds | 479 | 368 |
| | <u>1,580</u> | <u>1,404</u> |
| Employer contributions payable at reporting date. | - | - |

Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

| | | |
|-------------------------------------|---------------|---------------|
| Contract payments | 27,034 | 11,593 |
| Building maintenance | 439 | 303 |
| General maintenance | 2,431 | 2,323 |
| Utilities | 940 | 907 |
| Office administration | 200 | 199 |
| Information technology | 394 | 299 |
| Insurance | 466 | 424 |
| Consultants | 597 | 582 |
| Total materials and services | 32,501 | 16,630 |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 | 2018 |
|--|--------------|---------------|
| | \$'000 | \$'000 |
| 4.3 Depreciation and amortisation | | |
| Property | 1,202 | 1,298 |
| Plant and equipment | 1,450 | 1,470 |
| Infrastructure | 6,505 | 7,303 |
| Total depreciation | 9,157 | 10,071 |
| Intangible assets | - | - |
| Total depreciation and amortisation | 9,157 | 10,071 |

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

| | 2019 | 2018 |
|-------------------------------------|------------|-----------|
| | \$'000 | \$'000 |
| 4.4 Bad and doubtful debts | | |
| Parking fine debtors | - | 75 |
| Other debtors | 110 | - |
| Total bad and doubtful debts | 110 | 75 |

Movement in provisions for doubtful debts

| | | |
|---|------------|----------|
| Balance at the beginning of the year | - | - |
| New provisions recognised during the year | 106 | - |
| Balance at end of year | 106 | - |

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 | 138 | 164 |
| Total borrowing costs | 138 | 164 |

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 | 49 | 43 |
| Auditors' remuneration - Internal | 35 | 18 |
| Councillors' allowances | 184 | 180 |
| Advertising | 298 | 313 |
| Community Grants | 861 | 321 |
| Discount on Rates | 158 | 144 |
| Food and Catering | 156 | 150 |
| Phone, Internet & Other Communication Charges | 259 | 252 |
| Software Licences | 201 | 172 |
| Stock Adjustments/Write Offs | 67 | 15 |
| Travel & Accommodation | - | 154 |
| Waste Disposal | 637 | 602 |
| Subscriptions, Memberships & Licences | 100 | - |
| Assets written-off / impaired | 335 | - |
| Others | 678 | 709 |
| Total other expenses | 4,018 | 3,073 |

Notes to the Financial Report
For the Year Ended 30 June 2019

| Note 5 Our financial position | 2019 | 2018 |
|--|---------------|---------------|
| 5.1 Financial assets | \$'000 | \$'000 |
| (a) Cash and cash equivalents | | |
| Cash on hand | 6 | 6 |
| Cash at bank | 11,552 | 8,512 |
| Term deposits | - | - |
| Total cash and cash equivalents | <u>11,558</u> | <u>8,518</u> |
| (b) Other financial assets | | |
| Term deposits - current | 10,567 | 15,956 |
| Term deposits - non-current | - | - |
| Total other financial assets | <u>10,567</u> | <u>15,956</u> |
| Total financial assets | <u>22,125</u> | <u>24,474</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 5.3) | 639 | 353 |
| Total restricted funds | <u>639</u> | <u>353</u> |
| Total unrestricted cash and cash equivalents | <u>10,919</u> | <u>8,165</u> |

Intended allocations

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

| | | |
|---|---------------|--------------|
| Cash held for specific Reserves Funds | 895 | 870 |
| Cash held for Sir Irving Benson Bequest | 682 | 693 |
| Cash held for unspent grants | 1,361 | 1,172 |
| Cash held for unexpended capital works | 7,712 | 4,165 |
| Total funds subject to intended allocations | <u>10,650</u> | <u>6,900</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 2019

| | 2019 | 2018 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| (c) Trade and other receivables | | |
| Current | | |
| <i>Statutory receivables</i> | | |
| Rates debtors | 1,667 | 1,633 |
| Net GST Receivable | 163 | 596 |
| Special rate assessment | - | - |
| Infringement debtors | 15 | 7 |
| Provision for doubtful debts - infringements | - | - |
| <i>Non statutory receivables</i> | | |
| Loans and advances to community organisations | 2 | 4 |
| Other debtors | 6,683 | 1,484 |
| Provision for doubtful debts - other debtors | (106) | - |
| Total current trade and other receivables | <u>8,424</u> | <u>3,724</u> |
| Non-current | | |
| <i>Statutory receivables</i> | | |
| Special rate scheme | 74 | 96 |
| <i>Non statutory receivables</i> | | |
| Loans and advances to community organisations | - | - |
| Total non-current trade and other receivables | <u>74</u> | <u>96</u> |
| Total trade and other receivables | <u>8,498</u> | <u>3,820</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.

(d) Ageing of Receivables

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

| | | |
|-----------------------------------|--------------|--------------|
| Current (not yet due) | 6,377 | 951 |
| Past due by up to 30 days | 102 | 71 |
| Past due between 31 and 60 days | 35 | 411 |
| Past due between 61 and 90 days | 8 | 14 |
| Past due by more than 90 days | 161 | 144 |
| Total trade and other receivables | <u>6,683</u> | <u>1,591</u> |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | | | |
|------------|-----------------------------------|---------------|---------------|
| 5.2 | Non-financial assets | 2019 | 2018 |
| | (a) Inventories | \$'000 | \$'000 |
| | Inventories held for distribution | 465 | 413 |
| | Land held for Inventory | 135 | 682 |
| | Total inventories | 600 | 1,095 |

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 | 921 | 983 |
| Accrued income | 38 | 60 |
| Total other assets | 959 | 1,043 |

| | | | |
|------------|---------------------------------------|---------------|---------------|
| 5.3 | Payables | 2019 | 2018 |
| | (a) Trade and other payables | \$'000 | \$'000 |
| | Trade payables | 2,139 | 2,567 |
| | Rate Revenue received in Advance | 383 | 312 |
| | Employee Costs | 455 | 314 |
| | Fire Services Levy | 479 | 567 |
| | Accrued expenses | 98 | 310 |
| | Total trade and other payables | 3,554 | 4,070 |

(b) Trust funds and deposits

| | | |
|---------------------------------------|------------|------------|
| Refundable deposits | 23 | 28 |
| Retention amounts | 616 | 293 |
| Other refundable deposits | - | 32 |
| Total trust funds and deposits | 639 | 353 |

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.

Notes to the Financial Report
For the Year Ended 30 June 2019

| | | |
|---|---------------------|---------------------|
| 5.4 Interest-bearing liabilities | 2019 | 2018 |
| | \$'000 | \$'000 |
| Current | | |
| Borrowings - secured | 376 | 409 |
| | <u>376</u> | <u>409</u> |
| Non-current | | |
| Borrowings - secured | 1,482 | 1,853 |
| | <u>1,482</u> | <u>1,853</u> |
| Total | <u>1,858</u> | <u>2,262</u> |

Borrowings are secured by (insert security details)

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

| | | |
|---|--------------|--------------|
| Not later than one year | 365 | 408 |
| Later than one year and not later than five years | 1,482 | 1,855 |
| | <u>1,847</u> | <u>2,263</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.

5.5 Provisions

| | Employee | Landfill | Other | Total |
|---|-----------------|--------------------|----------------|----------------|
| | \$ '000 | restoration | \$ '000 | \$ '000 |
| | \$ '000 | \$ '000 | \$ '000 | \$ '000 |
| 2019 | | | | |
| Balance at beginning of the financial year | 5,018 | 2,737 | - | 7,755 |
| Additional provisions | 1,673 | 2,811 | - | 4,484 |
| Amounts used | (1,531) | | - | (1,531) |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | 353 | - | - | 353 |
| Balance at the end of the financial year | <u>5,513</u> | <u>5,548</u> | <u>-</u> | <u>11,061</u> |
| 2018 | | | | |
| Balance at beginning of the financial year | 4,815 | 3,668 | - | 8,483 |
| Additional provisions | 1,701 | - | - | 1,701 |
| Amounts used | (1,461) | (931) | 0 | (2,392) |
| Change in the discounted amount arising because of time and the effect of any change in the discount rate | (37) | 0 | 0 | (37) |
| Balance at the end of the financial year | <u>5,018</u> | <u>2,737</u> | <u>0</u> | <u>7,755</u> |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| (a) Employee provisions | | |
| Current provisions expected to be wholly settled within 12 months | | |
| Annual leave | 1,050 | 985 |
| Long service leave | 187 | 184 |
| Time in Lieu | 143 | 131 |
| | <u>1,380</u> | <u>1,300</u> |
| Current provisions expected to be wholly settled after 12 months | | |
| Annual leave | 772 | 809 |
| Long service leave | 2,813 | 2,365 |
| | <u>3,585</u> | <u>3,174</u> |
| Total current employee provisions | <u>4,965</u> | <u>4,474</u> |
| Non-current | | |
| Long service leave | 548 | 544 |
| Annual leave | - | - |
| Total non-current employee provisions | <u>548</u> | <u>544</u> |
| Aggregate carrying amount of employee provisions: | | |
| Current | 4,965 | 4,474 |
| Non-current | 548 | 544 |
| Total aggregate carrying amount of employee | <u>5,513</u> | <u>5,018</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:

| | | |
|-----------------|--------|--------|
| - discount rate | 1.035% | 2.647% |
| - index rate | 4.313% | 3.875% |

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 | 2018 |
|---------------------------------|--------------|--------------|
| | \$'000 | \$'000 |
| (b) Landfill restoration | | |
| Current | 1,135 | 2,488 |
| Non-current | 4,414 | 249 |
| | 5,549 | 2,737 |

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:

| | | |
|-----------------|--------|--------|
| - discount rate | 1.035% | 2.647% |
| - index rate | 4.313% | 3.875% |

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019.

| | | |
|------------------------|--------------|--------------|
| Bank overdraft | 1,000 | 1,000 |
| Credit card facilities | 250 | 250 |
| Other facilities | 1,847 | 2,263 |
| Total facilities | 3,097 | 3,513 |
| Used facilities | (1,847) | (2,263) |
| Unused facilities | 1,250 | 1,250 |

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 | Later than 1 | Later than 2 | Later than 5 | Total |
|--------------------------|--------------|---------------------------------|----------------------------------|--------------|--------------|
| | than 1 year | year and not later than 2 years | years and not later than 5 years | years | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating | | | | | |
| Waste Management | 882 | 927 | 838 | 565 | 3,212 |
| Recreation | 402 | - | - | - | 402 |
| Planning | 187 | - | - | - | 187 |
| Infrastructure | 93 | - | - | - | 93 |
| Corporate Administration | 225 | 20 | - | - | 245 |
| Meals for delivery | 240 | - | - | - | 240 |
| Total | 2,029 | 947 | 838 | 565 | 4,379 |
| Capital | | | | | |
| Buildings | 17 | - | - | - | 17 |
| Roads | 131 | - | - | - | 131 |
| Drainage | 491 | - | - | - | 491 |
| Total | 639 | - | - | - | 639 |

Notes to the Financial Report
For the Year Ended 30 June 2019

| 2018 | Not later | Later than 1 | Later than 2 | Later than 5 | Total |
|--------------------------|---------------|---------------------------------|----------------------------------|--------------|---------------|
| | than 1 year | year and not later than 2 years | years and not later than 5 years | years | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Operating | | | | | |
| Waste Management | 794 | 851 | 1,535 | | 3,180 |
| Recreation | 448 | 442 | | | 890 |
| Planning | 48 | | | | 48 |
| Infrastructure | 844 | 33 | 33 | | 910 |
| Corporate Administration | 275 | 159 | | | 434 |
| Meals for delivery | 328 | - | - | - | 328 |
| Total | 2,737 | 1,485 | 1,568 | - | 5,790 |
| Capital | | | | | |
| Infrastructure | 15,220 | | | | 15,220 |
| Plant | 292 | | | | 292 |
| Total | 15,512 | - | - | - | 15,512 |

Operating lease commitments

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):

| | 2019 | 2018 |
|---|-----------|------------|
| | \$'000 | \$'000 |
| Not later than one year | 37 | 37 |
| Later than one year and not later than five years | 37 | 74 |
| | 74 | 111 |

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 | 2019 | 2018 |
|--------|---|------------|----------|
| 6.1 | Non current assets classified as held for sale | \$'000 | \$'000 |
| | Cost of acquisition | - | - |
| | Capitalised development costs (eg roads, drainage) | 510 | - |
| | Total non current assets classified as held for sale | 510 | - |

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.

Notes to the Financial Report
For the Year Ended 30 June 2019

6.2 Property, infrastructure, plant and equipment

6.2 a Summary of property, infrastructure, plant and equipment

| | At Fair Value 30 June 2018 | Additions | Revaluation | Depreciation | Impairment Reversals | Disposal | Write-off | Transfers | At Fair Value 30 June 2019 |
|---------------------|-------------------------------|-----------|-------------|--------------|-------------------------|----------|-----------|-----------|-------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | 69,157 | 827 | (11,414) | (1,203) | 50 | 0 | 0 | (185) | 57,232 |
| Plant and equipment | 30,974 | 1,784 | (5,660) | (1,450) | | (382) | (62) | 0 | 25,204 |
| Infrastructure | 214,166 | 6,538 | 0 | (6,505) | 13,433 | (313) | (1) | 193 | 227,511 |
| Work in progress | 700 | 2,653 | 0 | 0 | | 0 | (47) | (126) | 3,180 |
| | 314,997 | 11,802 | (17,074) | (9,158) | 13,483 | (695) | (110) | (118) | 313,127 |

Summary of Work in Progress

| | Opening WIP | Additions | Write-off | Transfers | Closing WIP |
|---------------------|-------------|-----------|-----------|-----------|-------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Property | 167 | 102 | (9) | (126) | 134 |
| Plant and equipment | 13 | 0 | 0 | (13) | 0 |
| Infrastructure | 520 | 2,551 | (38) | 13 | 3,046 |
| Total | 700 | 2,653 | (47) | (126) | 3,180 |

(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 2018 | 13,121 | 583 | 13,704 | 97,621 | 97,621 | 167 | 111,492 |
| Accumulated depreciation at 1 July 2018 | 0 | (132) | (132) | (42,035) | (42,035) | | (42,167) |
| | 13,121 | 451 | 13,572 | 55,586 | 55,586 | 167 | 69,325 |
| Movements in fair value | | | | | | | |
| Additions | 85 | 0 | 85 | 742 | 742 | 102 | 929 |
| Contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | (1,394) | 0 | (1,394) | (24,073) | (24,073) | 0 | (25,467) |
| Disposal | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Write-off | 0 | 0 | 0 | 0 | 0 | (9) | (9) |
| Transfers | 0 | 0 | 0 | (204) | (204) | (126) | (330) |
| Impairment losses recognised in operating result | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | (1,309) | 0 | (1,309) | (23,535) | (23,535) | (33) | (24,877) |
| Movements in accumulated depreciation | | | | | | | |
| Depreciation and amortisation | 0 | (6) | (6) | (1,196) | (1,196) | 0 | (1,202) |
| Accumulated depreciation of disposals | 0 | 0 | 0 | | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 14,053 | 14,053 | 0 | 14,053 |
| Impairment reversals recognised in operating result | 0 | 0 | 0 | 50 | 50 | 0 | 50 |
| Transfers | 0 | 0 | 0 | 18 | 18 | 0 | 18 |
| | 0 | (6) | (6) | 12,925 | 12,925 | 0 | 12,919 |
| At fair value 30 June 2019 | 11,812 | 583 | 12,395 | 74,086 | 74,086 | 134 | 86,615 |
| Accumulated depreciation at 30 June 2019 | 0 | (138) | (138) | (29,110) | (29,110) | 0 | (29,248) |
| | 11,812 | 445 | 12,257 | 44,976 | 44,976 | 134 | 57,367 |

Notes to the Financial Report
For the Year Ended 30 June 2019

(b) Plant and Equipment

| | Plant machinery and equipment | Fixtures, fittings, furniture & Communications | Art Collection | Library books | WIP | Total plant and equipment |
|---|-------------------------------|--|----------------|---------------|------|---------------------------|
| | \$'000 | \$'000 | | \$'000 | | \$'000 |
| At fair value 1 July 2018 | 13,190 | 3,172 | 22,649 | 493 | 13 | 39,517 |
| Accumulated depreciation at 1 July 2018 | (6,673) | (1,857) | | 0 | | (8,530) |
| | 6,517 | 1,315 | 22,649 | 493 | 13 | 30,987 |
| Movements in fair value | | | | | | |
| Additions | 1,580 | 124 | 10 | 70 | 0 | 1,784 |
| Contributions | 0 | 0 | | 0 | 0 | 0 |
| Revaluation | 0 | 0 | (5,660) | 0 | 0 | (5,660) |
| Disposal | (413) | 0 | 0 | 0 | 0 | (413) |
| Write-off | 0 | 0 | 0 | (62) | 0 | (62) |
| Transfers | 0 | 15 | 0 | 0 | (13) | 2 |
| Impairment losses recognised in operating result | 0 | 0 | 0 | 0 | 0 | 0 |
| | 1,167 | 139 | (5,650) | 8 | (13) | (4,349) |
| Movements in accumulated depreciation | | | | | | |
| Depreciation and amortisation | (1,019) | (431) | 0 | 0 | 0 | (1,450) |
| Accumulated depreciation of disposals | 30 | 0 | 0 | 0 | 0 | 30 |
| Impairment reversals recognised in operating result | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers | 0 | (14) | 0 | 0 | 0 | (14) |
| | (989) | (445) | 0 | 0 | 0 | (1,434) |
| At fair value 30 June 2019 | 14,357 | 3,311 | 16,999 | 501 | 0 | 35,168 |
| Accumulated depreciation at 30 June 2019 | (7,662) | (2,302) | 0 | 0 | 0 | (9,964) |
| | 6,695 | 1,009 | 16,999 | 501 | 0 | 25,204 |

(c) Infrastructure

| | Roads | Bridges | Footpaths and cycleways | Drainage | Aerodromes | Other Infrastructure | Work In Progress | Total Infrastructure |
|---|-----------|----------|-------------------------|----------|------------|----------------------|------------------|----------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At fair value 1 July 2018 | 296,462 | 44,930 | 16,263 | 9,564 | 3,746 | 32,539 | 520 | 404,024 |
| Accumulated depreciation at 1 July 2018 | (141,772) | (18,025) | (6,720) | (5,026) | (1,659) | (16,136) | 0 | (189,338) |
| | 154,690 | 26,905 | 9,543 | 4,538 | 2,087 | 16,403 | 520 | 214,686 |
| Movements in fair value | | | | | | | | |
| Additions | 5,076 | 253 | 101 | 0 | 112 | 995 | 2,551 | 9,088 |
| Contributions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposal | 0 | (249) | (3) | 0 | 0 | (534) | 0 | (786) |
| Write-off | 0 | 0 | 0 | 0 | 0 | 0 | (38) | (38) |
| Transfers | (84) | 0 | 0 | 0 | 14 | 258 | 13 | 201 |
| Impairment losses recognised in operating result | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 4,992 | 4 | 98 | 0 | 126 | 719 | 2,526 | 8,465 |
| Movements in accumulated depreciation | | | | | | | | |
| Depreciation and amortisation | (4,305) | (464) | (357) | (97) | (149) | (1,133) | 0 | (6,505) |
| Accumulated depreciation of disposals | 0 | 116 | 1 | 0 | 0 | 355 | 0 | 472 |
| Impairment reversals recognised in operating result | 13,407 | 26 | 0 | 0 | 0 | 0 | 0 | 13,433 |
| Transfers | 43 | 0 | 0 | 0 | (1) | (39) | 0 | 3 |
| | 9,145 | (322) | (356) | (97) | (150) | (817) | 0 | 7,403 |
| At fair value 30 June 2019 | 301,454 | 44,934 | 16,361 | 9,564 | 3,872 | 33,258 | 3,046 | 412,489 |
| Accumulated depreciation at 30 June 2019 | (132,627) | (18,347) | (7,076) | (5,123) | (1,809) | (16,953) | 0 | (181,935) |
| | 168,827 | 26,587 | 9,285 | 4,441 | 2,063 | 16,305 | 3,046 | 230,554 |

Notes to the Financial Report
For the Year Ended 30 June 2019

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.

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

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.

Finance leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

Notes to the Financial Report
For the Year Ended 30 June 2019

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.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

Valuation of land and buildings

Valuation of land was undertaken by Opteon Property Group and buildings were undertaken by a qualified independent valuer APV. 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 1 January 2019.

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 | Level2 | Level 3 | Date of Valuation |
|-------------------|---------|--------|---------|-------------------|
| Land | - | - | 11,812 | 1-Jan-19 |
| Land Improvements | - | - | 445 | 1-Jan-19 |
| Buildings | - | - | 44,976 | 1-Jan-19 |
| Total | - | - | 57,233 | |

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Aten Kumar, former 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 2019 are as follows:

| | Level 1 | Level2 | Level 3 | Date of Valuation |
|-------------------------|---------|--------|---------|-------------------|
| Roads | - | - | 168,826 | 30-Jun-15 |
| Bridges | - | - | 26,587 | 30-Jun-15 |
| Footpaths and cycleways | - | - | 9,285 | 30-Jun-15 |
| Drainage | - | - | 4,441 | 30-Jun-15 |
| Aerodromes | - | - | 2,063 | 30-Jun-15 |
| Other infrastructure | - | - | 16,305 | 30-Jun-15 |
| Total | - | - | 227,507 | |

**Notes to the Financial Report
For the Year Ended 30 June 2019**

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. 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. The remaining useful lives of buildings are determined on the basis of the current condition of buildings. 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. 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.

Art Collection was last valued in 2009 utilising various experts in specific areas of the decorative arts. Additions to the collection have been recorded at the current market value of the items. The entire Collection was reviewed during the period resulting in a reduced value of \$17m from \$22.6m. Of the \$5.6m reduction, \$3m was written to the Asset Revaluation Reserve and \$2.6m being expensed.

Notes to the Financial Report
For the Year Ended 30 June 2019

| | 2019 | 2018 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| 6.3 Investment property | | |
| Balance at beginning of financial year | 2,820 | 1,100 |
| Additions | - | - |
| Disposals | - | - |
| Fair value adjustments | (100) | 1,720 |
| Balance at end of financial year | <u>2,720</u> | <u>2,820</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 2019

| | 2019 No. | 2018 No. |
|--|--------------|-------------|
| Note 7 People and relationships | | |
| 7.1 Council and key management remuneration | | |
| (a) Related Parties | | |
| <i>Parent entity</i> | | |
| Model Council is the parent entity. | | |
| <i>Subsidiaries and Associates</i> | | |
| Interests in subsidiaries and associates are detailed in Note 6.3. | | |
| (b) Key Management Personnel | | |
| Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are: | | |
| Councillors | | |
| Councillor MA Brown - Mayor | | |
| Councillor C Sharples - Deputy Mayor | | |
| Councillor C Dunkley | | |
| Councillor G McAdam | | |
| Councillor C Armstrong | | |
| Councillor A Calvano | | |
| Councillor KA Rainsford | | |
| Officers | | |
| Chief Executive Officer - Michael G Tudball | | |
| Director Shire Futures - Michael McCarthy | | |
| Director Planning & Development - Andrew Goodsell | | |
| Director Shire Infrastructure - David J Moloney | | |
| Director Community Community & Corporate Services - Evelyn M Arnold | | |
| Total Number of Councillors | 7 | 7 |
| Total of Chief Executive Officer and other Key Management Personnel | 5 | 4 |
| Total Number of Key Management Personnel | <u>12</u> | <u>11</u> |
| (c) Remuneration of Key Management Personnel | | |
| Total remuneration of key management personnel was as follows: | | |
| Short-term benefits | 969 | 892 |
| Long-term benefits | 14 | 16 |
| Post Employment Benefits | 97 | 64 |
| Termination benefits | 171 | - |
| Total | <u>1,251</u> | <u>972</u> |
| The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands: | | |
| \$20,000 - \$29,999 | 6 | 6 |
| \$60,000 - \$69,999 | 1 | 1 |
| \$110,000 - \$119,999 | 1 | - |
| \$160,000 - \$169,999 | - | 1 |
| \$170,000 - \$179,999 | - | 2 |
| \$190,000 - \$199,999 | 1 | - |
| \$200,000 - \$209,999 | 1 | - |
| \$240,000 - \$249,999 | - | 1 |
| \$260,000 - \$269,999 | 1 | - |
| \$270,000 - \$279,999 | 1 | - |
| | <u>12</u> | <u>11</u> |

(d) Senior Officer Remuneration

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$148,000

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

| Income Range: | 2019 No. | 2018 No. |
|-----------------------|-------------|-------------|
| \$110,000 - \$119,999 | 1 | - |
| \$160,000 - \$169,999 | - | - |
| \$170,000 - \$179,999 | - | 3 |
| \$190,000 - \$199,999 | 1 | - |
| \$200,000 - \$209,999 | 1 | - |
| \$270,000 - \$279,999 | 1 | - |
| | 4 | 3 |

| | | |
|---|-----|-----|
| Total Remuneration for the reporting year for Senior Officers included above, amounted to | 778 | 526 |
|---|-----|-----|

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties. Nothing to Disclose

Include aggregate details and disclose each type of transaction, the nature of the terms and conditions relating to the transaction and the aggregate amount of each type of transaction.

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties Nothing to Disclose

Include aggregate details and disclose each type of transaction, the nature of the terms and conditions relating to the transaction and the aggregate amount of each type of transaction.

(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

Include aggregate details of original amount of loan, repayments received in period, outstanding balance and details of the terms and conditions applicable.

(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

Include aggregated details of commitments to or from related parties.

Notes to the Financial Report
For the Year Ended 30 June 2019

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. 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:

| | 2019 | 2018 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Not later than one year | 425 | 114 |
| Later than one year and not later than five years | 1,244 | 365 |
| Later than five years | 113 | 125 |
| | <u>1,782</u> | <u>604</u> |

(b) Contingent liabilities

September 2016 Flood & Storm Event

As a result of the floods in 2016, and damage incurred, Council 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 was contingent upon the Council completing appropriate claim forms for costs incurred. This funding agreement may not cover the full extent of the damaged assets. All costs as at balance date have been claimed and are awaiting payment.

During the process of restoration of the known impaired assets, some further assets have been identified that may require works into the future. Investigation continues into the ownership/responsibility of these assets and their condition status. These assets include, (but are not limited to) the Lakd Hamilton Dam Wall and the Dunkeld Dam Wall/Arboretum Road.

Future superannuation contributions

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 Mount Napier Quarry. The quarry lease under negotiation and Council expects to quantify any remediation obligations in 2019/20.

**Notes to the Financial Report
For the Year Ended 30 June 2019**

8.2 Change in accounting standards

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.

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.

Notes to the Financial Report For the Year Ended 30 June 2019

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.

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 8.1(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 2019**

(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 8.1(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 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 + 1% and -1% in market interest rates (AUD) from year-end rates of 1.98%.

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.

Notes to the Financial Report For the Year Ended 30 June 2019

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 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.

8.5 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 2019

Note 9 Other matters

| | 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 |
|---|--|-----------------------|---|------------------------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 9.1 Reserves | | | | |
| (a) Asset revaluation reserves | | | | |
| 2019 | | | | |
| Property | | | | |
| Land and land improvements | 4,929 | (1,383) | - | 3,546 |
| Art Collection | 2,976 | (2,976) | - | - |
| Plant & Equipment | 474 | - | - | 474 |
| Buildings | 38,560 | (10,020) | - | 28,540 |
| | 46,939 | (14,379) | - | 32,560 |
| Infrastructure | | | | |
| 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 |
| | 153,524 | - | - | 153,524 |
| Total asset revaluation reserves | 200,463 | (14,379) | - | 186,084 |
| 2018 | | | | |
| Property | | | | |
| Land and land improvements | 4,929 | - | - | 4,929 |
| Art Collection | 2,976 | - | - | 2,976 |
| Plant & Equipment | 474 | - | - | 474 |
| Buildings | 38,560 | - | - | 38,560 |
| | 46,939 | - | - | 46,939 |
| Infrastructure | | | | |
| 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 |
| | 153,524 | - | - | 153,524 |
| Total asset revaluation reserves | 200,463 | - | - | 200,463 |

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 2019

| | 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) Other reserves | | | | |
| 2019 | | | | |
| Subdividers Contributions | 233 | 41 | - | 274 |
| Parking Development Reserve | 98 | - | - | 98 |
| Drainage Headworks Reserve | 97 | - | - | 97 |
| Waste Levy Reserve | 351 | 42 | - | 393 |
| Total Other reserves | 779 | 83 | - | 862 |
| 2018 | | | | |
| Subdividers Contributions | 233 | - | - | 233 |
| Parking Development Reserve | 98 | - | - | 98 |
| Drainage Headworks Reserve | 97 | - | - | 97 |
| Waste Levy Reserve | 311 | 40 | - | 351 |
| Total Other reserves | 739 | 40 | - | 779 |

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 2019

| 9.2 | Reconciliation of cash flows from operating activities to surplus/(deficit) | 2019 \$'000 | 2018 \$'000 |
|-----|---|----------------|----------------|
| | Surplus/(deficit) for the year | 11,996 | 2,046 |
| | Depreciation/amortisation | 9,157 | 10,071 |
| | Asset write-offs | 3,107 | 49 |
| | Profit/(loss) on disposal of property, infrastructure, plant and equipment | (182) | (6) |
| | Impairment losses | - | - |
| | Fair value adjustments for investment property | 100 | (1,720) |
| | Contributions - Non-monetary assets | - | (148) |
| | Other | 160 | 176 |
| | <i>Change in assets and liabilities:</i> | - | - |
| | (Increase)/decrease in trade and other receivables | (4,678) | (204) |
| | (Increase)/decrease in prepayments | 62 | (495) |
| | Increase/(decrease) in accrued income | - | - |
| | Increase/(decrease) in trade and other payables | (516) | 1,858 |
| | (Decrease)/increase in other liabilities | 286 | 156 |
| | (Increase)/decrease in inventories | (4) | 18 |
| | Increase/(decrease) in provisions | 3,307 | (728) |
| | (insert other relevant items) | - | - |
| | Net cash provided by/(used in) operating activities | 22,795 | 11,073 |

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.

Accumulation

The Fund's accumulation categories 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. 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 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 [Employer name] 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 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 interim 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.

Employer Contributions

Regular Contributions

On the basis of the results of the 2018 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to

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%. AASB 119 148(d)(iv) 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. AASB 119 AASB 119 148 (b) 148 (d)(v) 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.

The 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which 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 investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

| | 2018 | 2017 |
|---------------------------------------|-------------|-------------|
| | \$m | \$m |
| A VBI Surplus | \$131.9 | \$69.8 |
| A total service liability surplus | \$218.3 | \$193.5 |
| A discounted accrued benefits surplus | \$249.1 | \$228.8 |

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. 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 as at 30 June 2018. 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 2018. Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

The 2019 interim actuarial investigation surplus amounts

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.