



Strathbogie
shire

ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2019

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Certification of the Financial Statements

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



Upul Sathurusinghe CPA
Principal Accounting Officer

Date : 17 September 2019
Euroa

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

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

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

Amanda McClaren
Councillor



Date : 17 September 2019
Euroa

Graeme (Mick) Williams
Councillor



Date : 17 September 2019
Euroa

Phil Howard
Acting Chief Executive Officer



Date : 17 September 2019
Euroa

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Comprehensive Income Statement For the Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Income			
Rates and charges	3.1	19,077,636	18,525,521
Statutory fees and fines	3.2	537,718	537,871
User fees	3.3	802,550	683,933
Grants - operating	3.4	6,587,782	5,764,534
Grants - capital	3.4	6,129,548	4,499,780
Contributions - monetary	3.5	386,742	375,105
Contributions - non monetary	3.5	748,380	1,285,840
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	72,133	97,362
Other income	3.7	711,670	778,324
Total income		<u>35,054,159</u>	<u>32,548,270</u>
Expenses			
Employee costs	4.1	(10,455,706)	(9,095,532)
Materials and services	4.2	(11,398,828)	(12,102,109)
Depreciation and amortisation	4.3	(5,929,723)	(5,802,643)
Borrowing costs	4.5	(36,015)	(54,019)
Share of net profits (or loss) of associates and joint ventures	6.3	(17,555)	(8,514)
Other expenses	4.6	(817,424)	(4,629,091)
Total expenses		<u>(28,655,251)</u>	<u>(31,691,908)</u>
Surplus for the year		<u>6,398,908</u>	<u>856,363</u>
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation	6.2	(2,655,794)	(3,370,958)
Total comprehensive result		<u>3,743,114</u>	<u>(2,514,595)</u>

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

Balance Sheet As at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	10,616,477	14,077,793
Trade and other receivables	5.1	3,532,818	2,185,052
Non-current assets classified as held for sale	6.1	273,000	718,400
Other assets	5.2	1,538,959	511,059
Total current assets		15,961,254	17,492,303
Non-current assets			
Trade and other receivables	5.1	83,325	48,771
Other financial assets	5.1	2,032	2,032
Investments in associates, joint arrangements and subsidiaries	6.3	218,432	235,987
Property, infrastructure, plant and equipment	6.2	292,152,621	286,718,423
Total non-current assets		292,456,410	287,005,213
Total assets		308,417,664	304,497,516
Liabilities			
Current liabilities			
Trade and other payables	5.3	3,089,020	2,806,578
Trust funds and deposits	5.3	685,487	893,656
Provisions	5.5	3,511,174	2,338,305
Interest-bearing liabilities	5.4	136,373	185,720
Total current liabilities		7,422,054	6,224,259
Non-current liabilities			
Trust Funds and deposits		64,203	64,203
Provisions	5.5	4,812,215	5,696,602
Interest-bearing liabilities	5.4	368,541	504,914
Total non-current liabilities		5,244,959	6,265,718
Total liabilities		12,667,013	12,489,978
Net assets		295,750,651	292,007,538
Equity			
Accumulated surplus		93,389,208	86,990,300
Reserves	9.1	202,361,443	205,017,238
Total Equity		295,750,651	292,007,538

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 \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
Balance at beginning of the financial year		292,007,536	86,990,300	204,158,278	858,958
Surplus/(deficit) for the year		6,398,908	6,398,908	-	-
Net asset revaluation increment/(decrement)	6.2	(2,655,794)	-	(2,655,794)	-
Balance at end of the financial year		295,750,650	93,389,208	201,502,484	858,958

2018		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
Balance at beginning of the financial year		294,531,425	86,289,937	207,529,238	712,250
Surplus/(deficit) for the year		856,363	856,363	-	-
Net asset revaluation increment/(decrement)	6.2	(3,370,958)	-	(3,370,958)	-
Transfers to other reserves	9.1	(2)	(150,000)	(2)	150,000
Transfers from other reserves	9.1	(9,292)	(6,000)	-	(3,292)
Balance at end of the financial year		292,007,536	86,990,300	204,158,278	858,958

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) \$	2018 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		18,789,132	18,496,088
Statutory fees and fines		537,718	463,093
User fees		802,550	683,723
Grants - operating		4,434,221	6,793,808
Grants - capital		6,109,464	3,234,111
Contributions - monetary		370,242	375,105
Interest received		228,732	282,507
Dividends received		586	-
Trust funds and deposits taken		1,863,597	1,867,187
Other receipts		168,489	441,479
Net GST refund/payment		2,355,628	1,977,509
Employee costs		(10,167,224)	(9,073,531)
Materials and services		(13,211,326)	(14,628,715)
Trust funds and deposits repaid		(1,949,546)	(1,325,253)
Other payments		(366,032)	(301,654)
Net cash provided by operating activities		9,966,232	9,285,457
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(13,789,970)	(10,189,917)
Proceeds from sale of property, infrastructure, plant and equipment		584,157	1,105,718
Reclassification of financial assets as cash		-	2,200,000
Net cash provided by/(used in) investing activities		(13,205,813)	(6,884,199)
Cash flows from financing activities			
Finance costs		(36,015)	(54,019)
Repayment of borrowings		(185,720)	(511,551)
Net cash provided by/(used in) financing activities		(221,735)	(565,570)
Net increase (decrease) in cash and cash equivalents		(3,461,316)	1,835,688
Cash and cash equivalents at the beginning of the financial year		14,077,793	12,242,105
Cash and cash equivalents at the end of the financial year		10,616,477	14,077,793
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 \$	2018 \$
Property			
Land		-	-
Buildings		1,003,441	707,899
Total property		<u>1,003,441</u>	<u>707,899</u>
Plant and equipment			
Plant, machinery and equipment		659,068	464,281
Fixtures, fittings and furniture		214,849	155,205
Total plant and equipment		<u>873,917</u>	<u>619,486</u>
Infrastructure			
Roads		8,375,415	5,007,585
Bridges and culverts		1,852,102	2,461,137
Footpaths and cycleways		133,716	311,939
Drainage		747,652	808,337
Parks, open space and streetscapes		803,727	273,533
Total infrastructure		<u>11,912,612</u>	<u>8,862,531</u>
Total capital works expenditure		<u>13,789,970</u>	<u>9,482,017</u>
Represented by:			
New asset expenditure		2,242,729	660,388
Asset renewal expenditure		8,725,654	8,580,986
Asset expansion expenditure		37,856	230,644
Asset upgrade expenditure		2,783,731	717,899
Total capital works expenditure		<u>13,789,970</u>	<u>10,189,917</u>

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

OVERVIEW

Introduction

The Strathbogie Shire Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate.

The Council's main office is located at the corner of Binney and Bury Streets, Euroa, Victoria 3666.

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.

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 \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 26 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 \$	Actual 2019 \$	Variance 2019 \$	Variance %	Ref
Income					
Rates and charges	19,093,000	19,077,636	(15,364)	0%	
Statutory fees and fines	429,000	537,718	108,718	25%	1
User fees	818,000	802,550	(15,450)	-2%	
Grants - operating	3,255,000	6,587,782	3,332,782	102%	2
Grants - capital	2,773,000	6,129,548	3,356,548	121%	3
Contributions - monetary	270,000	386,742	116,742	43%	4
Contributions - non monetary	-	748,380	748,380	0%	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(500,000)	72,133	572,133	-114%	6
Other income	845,000	711,670	(133,330)	-16%	7
Total income	26,983,000	35,054,159	(8,071,159)	-30%	
Expenses					
Employee costs	(9,455,000)	(10,455,706)	1,000,706	-11%	8
Materials and services	(12,158,000)	(11,398,828)	(759,172)	6%	9
Depreciation and amortisation	(5,301,000)	(5,929,723)	628,723	-12%	10
Borrowing costs	(35,000)	(36,015)	1,015	-3%	
Share of net profits/(losses) of associates and joint ventures	-	(17,555)	17,555	0%	
Other expenses	(295,000)	(817,424)	522,424	-177%	11
Total expenses	(27,244,000)	(28,655,251)	1,411,251	-5%	
Surplus/(deficit) for the year	(261,000)	6,398,908	(6,659,908)	2552%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Increased building fees (\$26K), planning fees (\$41K), animal registrations (\$14K), fire prevention notices (\$24K)
2	Grants - operating	VGC early payment of 2019/20 instalment (\$2,914K). Unbudgeted grants Maternal & Child Health (\$54K), Commonwealth access roads (\$42K), centralised valuations (\$30K), freedom from violence project (\$70K), Southern Aurora memorial (\$100K), environmental projects (\$32K)
3	Grants - capital	Unbudgeted grant for flood event December 2017 (\$3,880K), budgeted grant Nagambie Locksley Rd received 2017/18 (\$140K), grants partially received, balance 2018/19 (\$261K), grants budgeted 2018/19 not received (\$1.01M), unbudgeted grants received 2018/19 (\$864K)
4	Contributions - monetary	Unbudgeted developer contributions (\$42K), other unbudgeted project contributions (\$75K)
5	Contributions - non monetary	Unbudgeted non-monetary contributions and assets identified for first time per Note 6.2 (\$748K)
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Budget recognises WDV on assets replaced as asset disposal, now required to be included as other expenses (Budget \$500K, Actual \$451K), unbudgeted surplus on disposal (\$71K)
7	Other income	Shared services project discontinued - budgeted income not received (\$103K), recycling revenue discontinued (\$79K), unbudgeted trust funds reallocation to revenue (\$98K), increased interest revenues (\$40K), decreased WorkCover/ income protection claims reimbursement (\$96K), fire prevention notice process reviewed - reduced revenue \$38K
8	Employee costs	Discount rate impact on employee provisions - see note 5.5 (\$163K), transfer of contractors to employees (\$373K), redundancies \$86K, increased - superannuation costs (\$93K) income protection (\$50K) FBT (\$36K), additional labour costs MYR offset by grant revenue (\$55K)
9	Materials and services	Transfer of contractors to employees (\$373), savings - shared services (\$127K), waste management (\$189K), advertising (\$55K), IT/communications (\$78K), community expenses (\$48K), staff training (\$69K), increased costs plant operating (\$162K)
10	Depreciation and amortisation	2018/19 Budget under-estimated (cf actual 2017/18 (\$5.80M), revaluation impacts
11	Other expenses	Budget recognises WDV on assets replaced as asset disposal, now required to be included as other expenses (Budget \$500K, Actual \$451K), increased audit costs (\$49K)

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2019 \$	Actual 2019 \$	Variance 2019 \$	Variance 2019 %	Ref
Property					
Buildings	2,227,000	1,003,441	(1,223,559)	-55%	1
Total buildings	2,227,000	1,003,441	(1,223,559)	-55%	
Total property	2,227,000	1,003,441	(1,223,559)	-55%	
Plant and equipment					
Plant, machinery and equipment	1,066,000	659,068	(406,932)	-38%	2
Fixtures, fittings and furniture	545,000	214,849	(330,151)	-61%	3
Total plant and equipment	1,611,000	873,917	(737,083)	-46%	
Infrastructure					
Roads	6,050,000	8,375,415	2,325,415	38%	4
Bridges	2,122,000	1,852,102	(269,898)	-13%	5
Footpaths and cycleways	427,000	133,716	(293,284)	-69%	6
Drainage	1,750,000	747,652	(1,002,348)	-57%	7
Parks, open space and streetscapes	1,252,000	803,727	(448,273)	-36%	8
Total infrastructure	11,601,000	11,912,612	311,612	3%	
Total capital works expenditure	15,439,000	13,789,970	(1,649,030)	-11%	
Represented by:					
New asset expenditure	2,949,000	2,242,729	(706,271)	-24%	
Asset renewal expenditure	8,668,000	8,725,654	57,654	1%	
Asset expansion expenditure	725,000	37,856	(687,144)	-95%	
Asset upgrade expenditure	3,097,000	2,783,731	(313,269)	-10%	
Total capital works expenditure	15,439,000	13,789,970	(1,649,030)	-11%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Carried forward to 2019/20 (\$1.09M), balance of Avenel pre school project (\$147)
2	Plant, machinery and equipment	Plant replacement unexpended (\$294K), motor vehicle replacement unexpended (\$113K)
3	Fixtures, fittings and furniture	Carried forward to 2019/20 (\$190K), projects unexpended (\$143K)
4	Roads	Carried forward to 2019/20 (\$300K), unbudgeted works flood event December 2017 (\$3.35M), zero class roads upgrade project unexpended (\$232K), savings - reseal program (\$338K), rehabilitation (\$262K)
5	Bridges	Carried forward to 2019/20 (\$310K)
6	Footpaths and cycleways	Carried forward to 2019/20 (\$220K), not expended Balmattum Hill (\$20K) Walking Track Program (\$30K), Pedestrian Bridge Design (\$10K)
7	Drainage	Carried forward to 2019/20 (\$391K), not expended - Nagambie Industrial Estate (\$555K), Violet Town Murray Street drain (\$100K)
8	Parks, open space and streetscapes	Carried forward to 2019/20 (\$237K), Southern Aurora Memorial transferred to operating (\$50K), unexpended Euroa Caravan Park tree replacement (\$115K)

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Executive and Corporate

Executive and Corporate services provides effective governance, policy development, strategic and financial management of the organisation. Service areas include governance, executive services, regulatory services, local laws, financial management and emergency management.

Community Wellbeing

Community Wellbeing provides high quality community focused programs. Service areas include maternal and child health, youth, seniors, community grants, arts and culture, tourism and economic development programs.

Innovation and Performance

Innovation and Performance includes strategic and statutory land use planning, organisation performance (human resources), community relations and information management.

Community Assets

Community Assets is responsible for constructing new infrastructure and maintaining existing infrastructure across a diverse range of assets that underpin the wellbeing of the community. Service areas include capital works, infrastructure maintenance, engineering services, environment and waste, parks and gardens, swimming pools and saleyards.

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
	\$	\$	\$	\$	\$
2019					
Executive and Corporate	17,776,706	6,546,358	11,230,348	3,597,264	16,980,459
Community Wellbeing	517,256	827,417	(310,161)	419,535	-
Innovation and Performance	552,670	4,061,966	(3,509,296)	77,691	-
Community Assets	12,695,209	13,707,191	(1,011,982)	8,622,840	291,437,205
	31,541,841	25,142,932	6,398,909	12,717,330	308,417,664

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2018					
Executive and Corporate	20,249,982	3,373,379	16,876,603	3,323,519	18,401,326
Community Wellbeing	491,936	1,743,282	(1,251,347)	334,331	-
Innovation and Performance	464,262	4,367,345	(3,903,083)	-	-
Community Assets	11,342,090	22,207,901	(10,865,811)	6,606,464	286,096,191
	32,548,270	31,691,907	856,363	10,264,314	304,497,516

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

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the valuation of the land and all improvements on the land.

The valuation base used to calculate general rates for 2018/19 was \$3.270 million (2017/18 \$2.837 million).

General rates	14,679,052	14,339,771
Municipal charge	1,808,780	1,785,711
Waste management charge	2,542,519	2,402,955
Special rates and charges	47,285	(2,917)
Total rates and charges	19,077,636	18,525,520

The date of the latest general revaluation of land for rating purposes within the municipal district was 01 January 2019, and the valuation will be first applied in the rating year commencing 01 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

Building fees	80,310	56,219
Planning fees	248,395	234,279
Health registrations	69,792	70,483
Animal registrations	96,529	81,122
Land information certificates	18,204	20,889
Boating infringements	-	543
Fire Prevention Notice Infringements	24,488	74,336
Total statutory fees and fines	537,718	537,871

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

Tip fees	122,972	130,561
Nagambie Lakes events	35,239	12,723
Saleyard operations revenue	293,117	244,958
Swimming pools revenue	23,432	5,529
Rent/lease Charges	90,573	40,072
Private works	-	1,180
Euroa Cinema	72,131	63,750
Debt collection expenses recovered	-	62,656
Septic tank fees	14,101	18,951
Other user charges and contributions	150,985	103,553
Total user fees	802,550	683,933

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

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	6,640,613	7,404,930
State funded grants	6,076,716	2,859,383
Total grants received	12,717,329	10,264,313

	2019	2018
	\$	\$
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	5,717,136	5,191,999
Senior Citizens Grants	2,600	20,086
<i>Recurrent - State Government</i>		
Maternal & child health	164,940	128,561
Community safety	40,146	34,041
Youth	91,667	55,000
Median Strip Subsidy	-	7,000
Pests and Plants Program	58,364	53,364
Municipal Emergency Resource Programme	60,000	60,000
Engage Youth	-	18,333
Supported Playgroup	75,387	41,250
Recycling	-	13,800
Vulnerable Persons Register	17,691	-
Total recurrent operating grants	6,227,931	5,664,534
<i>Non-recurrent - State Government</i>		
Revaluation Assistance	29,927	
LGA Small Scale Infrastructure Grant	12,455	-
Recreation-Non Capital	15,000	90,000
Southern Aurora Commemoration	150,000	-
Recycling - Non-recurrent	11,140	-
Local Government Energy Saver Grants - Operating	23,908	-
Free From Violence Project	69,941	-
Carbon Crunching Grant	32,480	-
Vic Health Walk To School	15,000	10,000
Total non-recurrent operating grants	359,851	100,000
Total operating grants	6,587,782	5,764,534
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	920,877	2,151,745
Total recurrent capital grants	920,877	2,151,745
<i>Non-recurrent - State Government</i>		
Local Government Energy Saver Grants - Capital	50,000	-
Roads and Bridges	550,000	609,000
Buildings	103,834	222,270
Recreation	403,700	221,096
Footpaths	-	20,000
Euroa Flood Levee	-	10,000
Pick My Project	81,409	-
Water Management	32,000	-
Other Flood Recovery Grants	123,084	-
Flood Event 12/2017-Capital	3,864,644	1,265,668
Total non-recurrent capital grants	5,208,671	2,348,034
Total capital grants	6,129,548	4,499,779
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	399,696	-
Received during the financial year and remained unspent at balance date	30,000	399,696
Received in prior years and spent during the financial year	399,696	-
Balance at year end	30,000	399,696

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

	2019	2018
	\$	\$
3.5 Contributions		
Monetary	386,742	375,105
Non-monetary	748,380	1,285,840
Total contributions	<u>1,135,122</u>	<u>1,660,945</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Roads	174,189	223,935
Bridges	41,513	
Land under roads	30,600	108,266
Footpaths	97,940	230,600
Kerb & channel	-	98,580
Drainage	383,388	624,459
Other	20,750	-
Total non-monetary contributions	<u>748,380</u>	<u>1,285,840</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	584,157	1,105,718
Written down value of assets disposed	(512,024)	(1,008,356)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>72,133</u>	<u>97,362</u>

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

3.7 Other income

Interest	232,886	282,507
Interest on rates	112,078	95,685
Diesel rebate	65,830	60,158
Insurance recoveries	92,829	122,756
Regional Shared Services	-	100,000
Parental Leave Reimbursement	10,071	31,945
Green Organics	-	74,713
Other	197,976	10,560
Total other income	<u>711,670</u>	<u>778,324</u>

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	9,086,602	7,943,310
WorkCover	203,259	165,915
Superannuation	815,758	722,884
Fringe benefits tax	175,489	139,189
Other	174,598	124,234
Total employee costs	<u>10,455,706</u>	<u>9,095,532</u>

	2019	2018
	\$	\$
(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	74,084	71,993
Employer contributions - other funds	-	-
	<u>74,084</u>	<u>71,993</u>
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	377,456	376,892
Employer contributions - other funds	354,787	261,014
	<u>732,243</u>	<u>637,906</u>
Employer contributions payable at reporting date.	9,431	12,985

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

4.2 Materials and services

Building maintenance	231,825	605,828
General maintenance	4,585,895	4,982,940
Utilities	383,019	415,617
Office administration	1,591,500	1,482,799
Information technology	627,637	558,640
Insurance	356,410	345,687
Consultants	1,355,922	1,493,042
Legal fees	122,530	183,219
Waste Management	2,144,090	2,034,337
Total materials and services	<u>11,398,828</u>	<u>12,102,109</u>

4.3 Depreciation and amortisation

Property	987,595	853,471
Plant and equipment	496,287	500,928
Furniture and Equipment	199,703	193,104
Infrastructure	4,246,138	4,255,141
Total depreciation	<u>5,929,723</u>	<u>5,802,644</u>
Intangible assets	-	-
Total depreciation and amortisation	<u>5,929,723</u>	<u>5,802,644</u>

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

4.4 Bad and doubtful debts

Movement in provisions for doubtful debts

Balance at the beginning of the year	7,025	7,025
Balance at end of year	<u>7,025</u>	<u>7,025</u>

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.

	2019	2018
	\$	\$
4.5 Borrowing costs		
Interest - Borrowings	36,015	54,019
Less capitalised borrowing costs on qualifying assets	-	-
Total borrowing costs	<u>36,015</u>	<u>54,019</u>

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

4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	35,000	44,900
Auditors' remuneration - Internal	88,857	41,630
Councillors' allowances	201,423	180,341
Other Councillor expenses	40,753	28,595
WDV of Infrastructure Assets Renewed	451,392	615,521
Violet Town Landfill Provision	-	3,718,104
Total other expenses	<u>817,425</u>	<u>4,629,091</u>

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

	2019	2018
	\$	\$
Cash on hand	2,770	4,563
Cash at bank	2,408,995	1,873,230
Term deposits	8,204,712	12,200,000
Total cash and cash equivalents	<u>10,616,477</u>	<u>14,077,793</u>

(b) Other financial assets

Share in MAV Purchasing Scheme	2,032	2,032
Total other financial assets	<u>2,032</u>	<u>2,032</u>
Total financial assets	<u>10,618,509</u>	<u>14,079,825</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)	749,690	893,656
Total restricted funds	<u>749,690</u>	<u>893,656</u>
Total unrestricted cash and cash equivalents	<u>9,866,787</u>	<u>13,184,137</u>

Intended allocations

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

- cash held to fund carried forward capital works	2,933,000	4,521,000
- Open space reserve	108,958	108,958
- Bridge replacement reserve	750,000	750,000
Total funds subject to intended allocations	<u>3,791,958</u>	<u>5,379,958</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.

	2019	2018
	\$	\$
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,433,595	1,173,549
Special rate assessment	-	6,096
Net GST Receivable	344,459	346,385
<i>Non statutory receivables</i>		
Other debtors	1,761,789	666,047
Provision for doubtful debts - other debtors	<u>(7,025)</u>	<u>(7,025)</u>
Total current trade and other receivables	<u>3,532,818</u>	<u>2,185,052</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	<u>83,325</u>	<u>48,771</u>
Total non-current trade and other receivables	<u>83,325</u>	<u>48,771</u>
Total trade and other receivables	<u>3,616,143</u>	<u>2,233,823</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)	887,792	524,638
Past due by up to 30 days	25,555	17,366
Past due between 31 and 180 days	424,156	124,043
Past due between 181 and 365 days	352,557	-
Past due by more than 1 year	<u>71,729</u>	<u>-</u>
Total trade and other receivables	<u>1,761,789</u>	<u>666,047</u>

5.2 Non-financial assets	2019	2018
	\$	\$
Other assets		
Prepayments	239,106	330,874
Accrued income	1,286,045	173,969
Inventories	13,808	6,216
Total other assets	1,538,959	511,059
5.3 Payables		
(a) Trade and other payables		
Trade payables	2,971,586	2,523,289
Accrued expenses	117,434	283,288
Total trade and other payables	3,089,020	2,806,577
(b) Trust funds and deposits		
Current		
Refundable deposits	-	10,650
Fire services levy	352,952	444,231
Retention amounts	178,103	191,650
Other refundable deposits	154,432	247,125
Total Current trust funds and deposits	685,487	893,656
Non-current		
Trust funds bequested	64,203	64,203
Total Non-Current trust funds and deposits	64,203	64,203
Total trust funds and deposits	749,690	957,859

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.

5.4 Interest-bearing liabilities	2019 \$	2018 \$
Current		
Bank overdraft	-	-
Borrowings - secured	136,373	185,720
Finance leases	-	-
	<u>136,373</u>	<u>185,720</u>
Non-current		
Borrowings - secured	368,541	504,914
Finance leases	-	-
	<u>368,541</u>	<u>504,914</u>
Total	<u>504,914</u>	<u>690,634</u>

Borrowings are secured by (insert security details)

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

Not later than one year	136,373	185,720
Later than one year and not later than five years	368,541	504,914
Later than five years	-	-
	<u>504,914</u>	<u>690,634</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 restoration \$	Total \$
2019			
Balance at beginning of the financial year	2,538,065	5,496,841	8,034,906
Additional provisions	1,065,143	257,281	1,322,424
Amounts used	(1,020,109)	-	(1,020,109)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	163,091	(176,924)	(13,833)
Balance at the end of the financial year	<u>2,746,190</u>	<u>5,577,198</u>	<u>8,323,388</u>
2018			
Balance at beginning of the financial year	2,544,253	1,778,738	4,322,991
Additional provisions	711,861	3,718,103	4,429,964
Amounts used	(721,389)	-	(721,389)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	3,340	-	3,340
Balance at the end of the financial year	<u>2,538,065</u>	<u>5,496,841</u>	<u>8,034,906</u>

	2019	2018
	\$	\$
(a) Employee provisions		
Current provisions expected to be wholly settled within 12		
Annual leave	609,053	589,217
Long service leave	385,973	132,171
Other	31,444	31,444
	<u>1,026,470</u>	<u>752,832</u>
Current provisions expected to be wholly settled after 12		
Annual leave	432,896	398,787
Long service leave	1,051,808	1,186,687
	<u>1,484,704</u>	<u>1,585,474</u>
Total current employee provisions	<u>2,511,174</u>	<u>2,338,305</u>
Non-current		
Long service leave	235,016	199,760
Total non-current employee provisions	<u>235,016</u>	<u>199,760</u>
Aggregate carrying amount of employee provisions:		
Current	2,511,174	2,338,305
Non-current	235,016	199,760
Total aggregate carrying amount of employee provisions	<u>2,746,190</u>	<u>2,538,066</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 - weighted average	1.16%	2.32%
- index rate	2.00%	2.15%

(b) Landfill restoration

Current	1,000,000	-
Non-current	4,577,199	5,496,842
	<u>5,577,199</u>	<u>5,496,842</u>

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

Key assumptions:

- discount rate	1.15%	2.32%
- index rate	2.25%	3.00%

5.6 Financing arrangements

	2019	2018
The Council has the following funding arrangements in place as at 30 June 2019.	\$	\$
Bank overdraft	2,290,000	1,145,000
Loan facilities	504,914	690,634
Lease facilities	-	500,000
Credit card facilities	100,000	100,000
Total facilities	2,894,914	2,435,634
Used facilities	(517,410)	(784,284)
Unused facilities	1,772,590	1,651,350

5.7 Commitments

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

2019	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Operating					
Open space management	798,378	453,564	-	-	1,251,942
Governance	74,618	101,728	101,728	-	278,074
Human Resources	12,944	14,005	14,005	-	40,954
Finance	26,756	26,756	80,268	-	133,780
Total	912,696	596,053	196,001	-	1,704,750
Capital					
Bridges	216,127	-	-	-	216,127
Roads	21,226	-	-	-	21,226
Total Capital	277,623	-	-	-	277,623
Total	514,976	-	-	-	514,976

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
Operating					
Open space management	455,283	467,404	157,773	-	1,080,460
Planning	120,436	-	-	-	120,436
Governance	273,362	129,613	121,136	-	524,111
Human Resources	12,408	-	-	-	12,408
Flood Damage	6,097,152	-	-	-	6,097,152
Total	6,958,641	597,017	278,909	-	7,834,567
Capital					
Bridges	1,013,954	-	-	-	1,013,954
Roads	476,611	-	-	-	476,611
Plant	984,809	-	-	-	984,809
Total	2,475,374	-	-	-	2,475,374

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 \$
Not later than one year	126,891	140,444
Later than one year and not later than five years	328,406	421,556
Later than five years	-	33,741
	<u>455,297</u>	<u>595,741</u>

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

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	2019 \$	2018 \$
Cost of acquisition	<u>273,000</u>	<u>718,400</u>
Total non current assets classified as held for sale	<u>273,000</u>	<u>718,400</u>

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

6.2 Property, infrastructure, plant and equipment

6.2 a Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018 \$	Additions \$	Contributions \$	Revaluation \$	Depreciation \$	Disposal \$	Write-off \$	Transfers \$	At Fair Value 30 June 2019 \$
Property	74,624,147	292,059	30,600	6,999,775	(987,594)	-	-	18,200	80,977,186
Plant and equipment	2,554,799	873,917	-	-	(695,990)	(67,234)	-	64,734	2,730,225
Infrastructure	205,796,796	10,873,302	717,780	(9,655,569)	(4,246,138)	(451,392)	-	3,493,407	206,528,180
Work in progress	3,742,681	1,750,691	-	-	-	-	-	(3,576,341)	1,917,030
	286,718,423	13,789,970	748,380	(2,655,794)	(5,929,723)	(518,626)	-	-	292,152,621

Summary of Work in Progress

	Opening WIP \$	Additions \$	Write-off \$	Transfers \$	Closing WIP \$
Property	77,153	711,381	-	(18,200)	770,334
Plant and equipment	64,734	-	-	(64,734)	-
Infrastructure	3,600,793	1,039,309	-	(3,493,407)	1,146,696
Total	3,742,680	1,750,691	-	(3,576,341)	1,917,030

(a) Property

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2018	23,921,862	5,419,567	670,306	30,011,735	70,851,238	3,010,360	73,861,598	77,153	103,950,486
Accumulated depreciation at 1 July 2018	-	-	-	-	(28,253,700)	(995,487)	(29,249,187)	-	(29,249,187)
Movements in fair value	23,921,862	5,419,567	670,306	30,011,735	42,597,538	2,014,873	44,612,411	77,153	74,701,299
Additions	-	-	-	-	292,059	-	292,059	711,381	1,003,441
Contributions	-	-	30,600	30,600	-	-	-	-	30,600
Revaluation	2,580,105	530,034	(486,841)	2,623,298	6,950,506	295,316	7,245,823	-	9,869,121
Disposal	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	18,200	-	18,200	(18,200)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	2,580,105	530,034	(456,241)	2,653,898	7,260,766	295,316	7,556,082	693,181	10,903,161
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(987,594)	-	(987,594)	-	(987,594)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(2,771,688)	(97,657)	(2,869,345)	-	(2,869,345)
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(3,759,282)	(97,657)	(3,856,940)	-	(3,856,940)
At fair value 30 June 2019	26,501,967	5,949,601	214,065	32,665,633	78,112,004	3,305,676	81,417,680	770,334	114,853,647
Accumulated depreciation at 30 June 2019	-	-	-	-	(32,012,982)	(1,093,144)	(33,106,127)	-	(33,106,127)
	26,501,967	5,949,601	214,065	32,665,633	46,099,021	2,212,532	48,311,553	770,334	81,747,521

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in Progress	Total plant and equipment
	\$	\$	\$	\$	\$
At fair value 1 July 2018	5,719,552	3,339,797	-	64,734	9,124,083
Accumulated depreciation at 1 July 2018	(3,793,201)	(2,711,349)	-	-	(6,504,550)
	<u>1,926,351</u>	<u>628,448</u>	<u>-</u>	<u>64,734</u>	<u>2,619,533</u>
Movements in fair value					
Additions	659,068	214,849	-	-	873,917
Contributions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposal	(352,616)	-	-	-	(352,616)
Write-off	-	-	-	-	-
Transfers	-	64,734	-	(64,734)	-
Impairment losses recognised in operating result	-	-	-	-	-
	<u>306,452</u>	<u>279,583</u>	<u>-</u>	<u>(64,734)</u>	<u>521,302</u>
Movements in accumulated depreciation					
Depreciation and amortisation	(496,287)	(199,703)	-	-	(695,990)
Accumulated depreciation of disposals	285,381	-	-	-	285,381
Impairment losses recognised in operating result	-	-	-	-	-
Transfers	-	-	-	-	-
	<u>(210,906)</u>	<u>(199,703)</u>	<u>-</u>	<u>-</u>	<u>(410,609)</u>
At fair value 30 June 2019	6,026,004	3,619,380	-	-	9,645,385
Accumulated depreciation at 30 June 2019	(4,004,107)	(2,911,052)	-	-	(6,915,159)
	<u>2,021,897</u>	<u>708,328</u>	<u>-</u>	<u>-</u>	<u>2,730,226</u>

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Kerb and channel	Waste Management	Parks open spaces and streetscapes	Cultural and heritage assets	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2018	186,161,609	74,392,536	4,365,819	14,809,290	6,512,576	-	6,472,913	584,112	3,600,793	296,899,648
Accumulated depreciation at 1 July 2018	(52,066,573)	(24,273,019)	(1,265,448)	(4,110,185)	(2,420,442)	-	(3,366,356)	-	-	(87,502,063)
	134,095,036	50,119,517	3,100,371	10,699,105	4,092,134	-	3,106,517	584,112	3,600,793	209,397,585
Movements in fair value										
Additions	8,367,299	1,470,079	133,716	519,841	85,351	-	297,016	-	1,039,309	11,912,612
Contributions	174,189	-	97,940	301,938	-	-	-	-	-	574,067
Revaluation	(5,146,125)	(6,492,826)	-	-	-	-	-	888	-	(11,638,063)
Disposal	-	(977,221)	(14,400)	-	-	-	-	-	-	(991,621)
Recognised First Time	-	56,090	-	99,110	-	-	-	20,750	-	175,950
Write-off	-	-	-	-	-	-	-	-	-	-
Transfers	3,259,104	43,113	-	152,284	-	-	38,905	-	(3,493,407)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	6,654,466	5,900,765	217,256	1,073,173	85,351	-	335,922	21,638	(2,454,097)	32,945
Movements in accumulated depreciation										
Depreciation and amortisation	(2,892,823)	(705,921)	(89,912)	(149,876)	(108,891)	-	(298,716)	-	-	(4,246,138)
Accumulated depreciation of disposals	-	533,029	7,200	-	-	-	-	-	-	540,229
Revaluation	-	1,982,494	-	-	-	-	-	-	-	1,982,494
Recognised First Time	-	(14,577)	-	(17,660)	-	-	-	-	-	(32,237)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	(2,892,823)	1,795,025	(82,712)	(167,536)	(108,891)	-	(298,716)	-	-	(1,755,652)
At fair value 30 June 2019	192,816,075	68,491,772	4,583,075	15,882,463	6,597,927	-	6,808,835	605,750	1,146,696	296,932,593
Accumulated depreciation at 30 June 2019	(54,959,396)	(22,477,994)	(1,348,160)	(4,277,721)	(2,529,333)	-	(3,665,112)	-	-	(89,257,715)
	137,856,680	46,013,778	3,234,915	11,604,742	4,068,594	-	3,143,723	605,750	1,146,696	207,674,878

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$
Asset recognition thresholds and depreciation periods		
Property		
land	-	10,000
Buildings		
buildings	60 to 100 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 to 20 years	1,000
furniture and equipment	2 to 10 years	1,000
leased plant and equipment	3 to 5 years	5,000
Infrastructure		
road pavements - sealed	40 to 130 years	5,000
road pavements - unsealed	18 to 25 years	5,000
road seals	18 to 40 years	5,000
formation and earthworks	100 years	5,000
bridges deck	50 to 120 years	5,000
bridges substructure	60 to 250 years	5,000
culverts	60 to 250 years	5,000
footpaths	18 to 100 years	5,000
drainage	100 years	5,000
kerb and channel	50 to 100 years	5,000

Land under roads

Council recognises land under roads it controls at fair value after 30 June 2008.

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. There are no leased assets at balance date.

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. At balance date, there are no leasehold improvements.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer (Alistair Mann of LG Valuation Services for Land and John Dixon, of FG Dixon Group for Buildings). The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

The date of the current valuation is detailed in the following table. An indexed based revaluation was conducted in the current year, this valuation was based on an increase in the Land Index of 9.78% and an increase in the Building Price Index of 9.81% since the last full valuation. A full revaluation of these assets will be conducted in 2019/20.

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
	\$'000	\$'000	\$'000	
Land	-	5,950	-	Jun-18
Specialised land	-	-	26,502	Jun-18
Land under roads	-	-	214	Jun-18
Buildings	-	2,213	46,099	Jun-18
Total	-	8,162	72,815	

Valuation of infrastructure

The valuation is at fair value as at 30 June 2018 plus all 2018-19 additions at cost and is based on replacement cost less accumulated depreciation as at the date of valuation. The base valuation of infrastructure assets conducted at 30 June 2018 was made by Uwe Paffarth, Certified Municipal Engineer.

The Parks, open space and streetscapes assets category are all valued at cost as at 30 June 2019 (\$3,143,720) and are excluded from the following fair value table.

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
	\$'000	\$'000	\$'000	
Roads	-	-	137,857	Jun-18
Bridges	-	-	46,014	Jun-18
Footpaths and cycleways	-	-	3,235	Jun-18
Drainage	-	-	11,605	Jun-18
Kerb & channel	-	-	4,069	Jun-18
Other infrastructure	-	-	606	Jun-18
Total	-	-	203,384	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 85% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.48 and \$565 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$200 to \$7,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 18 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

The Road asset class was subject to a revaluation decrement of of \$5.146M due to the write of impairment caused by a Dec 2017 flood event and the Bridge asset class was subject to a revaluation decrement of \$6.5M due to a reduction in standard unit rate for that asset class.

	2019	2018
	\$	\$
Reconciliation of specialised land		
Parks and reserves	19,287,996	17,650,764
Waste management	937,303	853,801
Civic centres	2,448,870	2,230,707
Council depts	1,003,443	613,849
Caravan parks	2,086,281	1,900,420
Pre schools	399,599	364,000
Saleyards	338,475	308,321
Total specialised land	26,501,967	23,921,862

	2019	2018
	\$	\$
6.3 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
- Goulburn Valley Regional Library Corporation	218,432	235,987

The Goulburn Valley Regional Library Corporation was formed under the provisions of section 196 of the Local Government Act 1989 on 15/09/2009 to provide library services within the local government area of Strathbogie Shire, Moira Shire and City of Greater Shepparton. Council holds 9.89% (2017/18 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.

Fair value of Council's investment in Goulburn Valley Library Corporation	218,432	235,987
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus(deficit) at start of year	235,987	244,501
Reported surplus(deficit) for year	(17,555)	(8,514)
Council's share of accumulated surplus(deficit) at end of year	218,432	235,987
Movement in carrying value of specific investment		
Carrying value of investment at start of year	235,987	244,501
Share of surplus(deficit) for year	(17,555)	(8,514)
Carrying value of investment at end of year	218,432	235,987

Committees of management

The value of land and buildings occupied and/or utilised by Council committees of management is consolidated in Council's balance sheet as at 30 June 2019.

The following committees of management as at 30 June 2019 are not included in this financial report as they are not controlled by Council and accordingly prepare their financial reports separately.

Avenel Memorial Hall
Boho South Hall
Creighton's Creek Recreation Reserve
Euroa Band Hall
Euroa Friendlies Reserve
Gooram Soldiers' Memorial Hall
Longwood Community Centre
Miepoll Public Hall
Moglonemby Hall
Nagambie Recreation Reserve
Ruffy Recreation Reserve
Strathbogie Memorial Hall
Strathbogie Recreation Reserve
Tableland Community Centre Committee (Ruffy)
Violet Town Recreation Reserve

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Strathbogie Shire Council is the parent entity.

Subsidiaries and Associates

Interests in 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	Amanda McClaren (Mayor)		
	Malcolm Little		
	John Mason		
	Kate Stothers		
	Debra Bower		
	Alistair Thomson		
	Graeme (Mick) Williams		
	Chief Executive Officer (27 June 2019)		
	Group Manager - Corporate & Community		
	Group Manager - Community Assets		
	Group Manager - Innovation and Performance		
		2019	2018
		No.	No.
Total Number of Councillors		7	7
Total of Chief Executive Officer and other Key Management Personnel		4	4
Total Number of Key Management Personnel		<u>11</u>	<u>11</u>

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

Short-term benefits	991,113	883,325
Post employment benefits	83,002	66,704
Long-term benefits	16,635	16,297
Total	<u>1,090,750</u>	<u>966,326</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
\$160,000 - \$169,999	1	1
\$180,000 - \$189,999	1	2
\$230,000 - \$239,999	1	1
\$320,000 - \$329,999	1	-
	<u>11</u>	<u>11</u>

* As a result of contract negotiations in 2017/18 a senior executive ceased making motor vehicle contributions in the last month of the 2017/18 financial year

(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.
\$150,000 - \$159,999	3	1
\$170,000 - \$179,999	1	-
	<u>4</u>	<u>1</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to 630,870 154,783

Note: Remuneration includes motor vehicle allowances as part of salary arrangements and does not include actual non-monetary benefits arising from private use of motor vehicles.

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council paid \$260,911 to the Goulburn Valley Regional Library Corporation.

Councillor Graeme (Mick) Williams's son employed by the Council as a full time employee.

There was a transaction between Cave Communications Ltd and the Council during the financial year. The proprietor of Cave Communications Ltd is a related party to the Acting CEO.

(b) Outstanding balances with related parties

There are no balances outstanding at the end of the reporting period in relation to transactions with related parties that require disclosure.

(c) Loans to/from related parties

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

(d) Commitments to/from related parties

Council has a commitment to pay Goulburn Valley Regional Library Corporation a contribution of \$267,450 during the 2019/20 financial year.

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Flood event December 2017

A major flood event in December 2017 has resulted in a natural disaster claim for infrastructure restoration works estimated at \$5.5 million. There was a \$4.5 million contingent asset in relation to the balance of the claim reported in 2017/18. A total of \$4.98 million funds were claimed progressively during the reporting period.

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Strathbogie Shire Council has paid no unfunded liability payments to Vision Super during the 2018/19 year (\$0 paid during the 2017/18 year). No contributions are expected to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020.

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

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

Insurance claims

There are no any major insurance claims that could have a material impact on future operations.

Legal matters

There are no major legal matters that could have a material impact on future operations.

Building cladding

Council does not exposed to any potential contingents that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

Liability Mutual Insurance (where applicable)

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

(c) Guarantees for loans to other entities

Council does not have any financial guarantees.

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 Council expects that the transition to the new standard will see the initial recognition of \$436,911 in lease related assets and an equivalent liability

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

This standard is expected to apply to certain transactions currently accounted for under *AASB 1004 Contributions* and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a not-for-profit entity to further its objectives.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- council have a policy for establishing credit limits for the entities council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the council's financial assets is minimal because the main debtor is secured by a charge over the rateable property.

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

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.

(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 2%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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 < > to < > 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

Council has advertised for the new CEO and the recruitment process is underway.

Note 9 Other matters

	Balance at beginning of reporting period \$	Increment (decrement) \$	Share of increment (decrement) on revaluation of by an associate \$	Balance at end of reporting period \$
9.1 Reserves				
(a) Asset revaluation reserves				
2019				
Property				
Land and land improvements	24,645,565	2,623,297.72	-	27,268,863
Buildings	41,803,908	4,376,477.54	-	46,180,386
	66,449,473	6,999,775	-	73,449,248
Infrastructure				
Roads	94,515,772	(5,146,125)	-	89,369,647
Bridges	34,595,573	(4,510,333)	-	30,085,240
Footpaths and cycleways	1,600,498	-	-	1,600,498
Drainage	4,026,118	-	-	4,026,118
Kerb and Channel	2,954,641	-	-	2,954,641
Other infrastructure	16,205	888	-	17,093
	137,708,807	(9,655,570)	-	128,053,237
Total asset revaluation reserves	204,158,280	(2,655,795)	-	201,502,485
2018				
Property				
Land and land improvements	24,645,565	-	-	24,645,565
Buildings	41,262,389	541,519	-	41,803,908
	65,907,954	541,519	-	66,449,473
Infrastructure				
Roads	98,182,816	(3,667,044)	-	94,515,772
Bridges	34,262,241	333,332	-	34,595,573
Footpaths and cycleways	1,600,498	-	-	1,600,498
Drainage	4,548,109	(521,991)	-	4,026,118
Kerb and Channel	3,011,415	(56,774)	-	2,954,641
Other infrastructure	16,205	-	-	16,205
	141,621,284	(3,912,477)	-	137,708,807
Total asset revaluation reserves	207,529,238	(3,370,958)	-	204,158,280

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

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
(b) Other reserves				
2019				
Bridge replacement reserve	750,000	-	-	750,000
Open space reserve	108,958	-	-	108,958
Total Other reserves	858,958	-	-	858,958
2018				
Bridge replacement reserve	600,000	150,000	-	750,000
Open space reserve	112,250	(3,292)	-	108,958
Total Other reserves	600,000	150,000	-	858,958

	2019	2018
	\$	\$
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	6,398,908	856,363
Depreciation/amortisation	5,929,723	5,802,643
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(72,133)	(97,362)
Written down value of infrastructure assets replaced	512,024	615,521
Contributions - Non-monetary assets	(748,380)	(1,285,840)
Borrowing costs	36,015	54,019
Trust funds and other deposits repaid	873,666	541,934
Share of net profits of associates	17,555	8,514
WIP expended 2016/17 - reclassified as operating expense 2017/18		4,839
Payments from Open Space Reserve		(9,292)
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(1,382,320)	(414,177)
(Increase)/Decrease in other assets	-	(190,535)
(Increase)/decrease in prepayments	91,768	-
Increase/(decrease) in accrued income	(1,112,076)	-
Increase/(decrease) in trade and other payables	(282,443)	(314,717)
(Increase)/decrease in inventories	(7,592)	1,632
Increase/(decrease) in provisions	(288,482)	3,711,915
Net cash provided by/(used in) operating activities	<u>9,966,233</u>	<u>9,285,457</u>

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives 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 (SG) 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 Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa

Salary information 3.5% pa

Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at 30 June 19 was 107.1%.

The VBI is 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 the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018). This rate will increase in line with any increases in the SG contribution rate.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers including the Council are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

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 \$m	2017 \$m
A VBI surplus	\$131.90	\$69.80
A total service liability surplus	\$218.30	\$193.50
A discounted accrued benefits surplus	\$249.10	\$228.80

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

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.

Superannuation contributions

Contributions by Council to the above superannuation plans for the financial year ended 30 June 2018 are detailed below:

Scheme	Type of scheme	Rate	2019 \$	2018 \$
Vision Super	Defined benefits	9.50%	74,084	71,993
Vision Super	Accumulation	9.50%	377,456	376,892
Other funds	Accumulation	9.50%	354,787	261,014

Council hasn't paid any unfunded liability payments to Vision Super in 2018/19 or 2017/18. Council does not expect to pay to the Defined Benefit category of Vision Super for the year ending 30 June 2020.