

Murrindindi Shire Council
Annual Financial Report
For the Year Ended
30-June-2018

Murrumbidgee Shire Council
Financial Report
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**Comprehensive
Income Statement
For the Year Ended 30 June 2018**

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 (Finance and Reporting) Regulations 2014, Australian Accounting Standards and other mandatory professional reporting requirements.

Alan Cassell
Principal Accounting Officer

Date :
Alexandra

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

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

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

Sandice McAulay
Deputy Mayor

Date :
Alexandra

Leigh Dunscombe
Councillor

Date :
Alexandra

Craig Lloyd
Chief Executive Officer

Date :
Alexandra

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Comprehensive Income Statement For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Rates and charges	2.1	19,797,539	19,182,525
Statutory fees and fines	2.2	931,502	849,341
User fees	2.3	2,311,476	2,011,358
Grants -operating	2.4	7,489,788	9,347,717
Grants - capital	2.4	2,292,557	1,894,792
Contributions - monetary	2.5	612,772	288,723
Contributions - non monetary	2.5	297,180	554,912
Other income	2.6	1,579,637	1,570,308
Total income		35,312,451	35,699,676
Expenses			
Employee benefits	3.1	13,751,412	12,923,695
Materials and services	3.2	9,436,537	9,537,835
Depreciation and amortisation	3.3	8,861,522	8,959,143
Bad and doubtful debts	3.4	21,193	4,917
Borrowing cost	3.5	78,515	215,314
Net loss on disposal of property, infrastructure, plant and equipment	3.6	255,167	525,708
Other expenses	3.7	296,106	266,229
Total expenses		32,700,452	32,432,841
Surplus for the financial year		2,611,999	3,266,835
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment (decrement)	5.2	36,222,193	5,230,016
Comprehensive result		38,834,192	8,496,851

The above Comprehensive Income Statement should be read with the accompanying notes.

Balance Sheet As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	4.1(a)	7,358,780	4,582,657
Other financial assets	4.1(b)	24,319,500	23,419,500
Trade and other receivables	4.1(c)	4,702,549	2,771,315
Inventories		31,742	45,714
Other assets	4.2	363,211	392,078
Non-Current assets classified as held for sale	5.1	217,047	217,047
Total current assets		36,992,829	31,428,311
Non-current assets			
Trade and other receivables	4.1(c)	15,996	20,366
Intangible assets	4.2	3,595,970	3,725,950
Property, infrastructure, plant and equipment	5.2	341,562,854	306,281,821
Total non-current assets		345,174,820	310,028,137
Total assets		382,167,649	341,456,448
Liabilities			
Current liabilities			
Trade and other payables	4.3(a)	3,041,244	1,323,958
Trust funds and deposits	4.3(b)	1,128,612	995,068
Interest-bearing loans and borrowings	4.4	319,840	367,646
Provisions	4.5	3,362,572	3,158,641
Total current liabilities		7,852,268	5,845,313
Non-current liabilities			
Interest-bearing loans and borrowings	4.4	667,026	986,866
Provisions	4.5	6,163,034	5,973,139
Total non-current liabilities		6,830,060	6,960,005
Total liabilities		14,682,328	12,805,318
Net Assets		367,485,321	328,651,130
Equity			
Accumulated surplus		131,242,479	130,012,077
Reserves	8.1	236,242,842	198,639,053
Total Equity		367,485,321	328,651,130

The above Balance Sheet should be read with the accompanying notes.

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

	Note	Asset			
		Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2018		\$	\$	\$	\$
Balance at beginning of the financial year		328,651,129	130,012,077	182,944,360	15,694,692
Surplus for the year		2,611,999	2,611,999	-	-
Net asset revaluation increment (decrement)	8.1	36,222,193	-	36,222,193	-
Transfers to other reserves	8.1	-	(2,414,635)	-	2,414,635
Transfers from other reserves	8.1	-	1,033,038	-	(1,033,038)
Balance at end of the financial year		367,485,321	131,242,479	219,166,553	17,076,289

	Note	Asset			
		Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2017		\$	\$	\$	\$
Balance at beginning of the financial year		320,154,279	128,493,089	177,714,345	13,946,845
Surplus for the year		3,266,835	3,266,835	-	-
Net asset revaluation increment (decrement)	8.1	5,230,016	-	5,230,016	-
Transfers to other reserves	8.1	-	(3,144,950)	-	3,144,950
Transfers from other reserves	8.1	-	1,397,103	-	(1,397,103)
Balance at end of the financial year		328,651,130	130,012,077	182,944,361	15,694,692

The above Statement of Changes in Equity should be read with the accompanying notes

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

	Note	2018 Inflows/ (Outflows) \$	2017 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates		18,572,026	18,996,644
Statutory fees and fines		931,304	849,709
User fees		2,348,323	2,554,339
Grants - operating		7,046,456	9,522,669
Grants - capital		2,319,464	1,903,014
Contributions - monetary		615,032	306,931
Interest received		905,767	793,447
Other Income		735,331	787,906
Net Fire Services Property Levy received (remitted)		18,371	36,977
Net GST refund		1,143,112	1,384,908
Net receipt/(repayment) of trust funds and deposits		115,173	(15,467)
Payments to suppliers (inclusive of GST)		(10,226,563)	(12,596,310)
Payments to employees (including redundancies)		(13,455,992)	(12,857,584)
Net cash provided by operating activities	8.2	<u>11,067,804</u>	<u>11,667,183</u>
Cash flows from investing activities			
Payments for property, plant and equipment, infrastructure		(7,001,862)	(9,972,113)
Payments for intangible assets		(188,847)	(77,473)
Proceeds from sale of property, plant and equipment, infrastructure		249,785	529,651
Payments for Investments		(900,000)	(300,000)
Net cash used in investing activities		<u>(7,840,924)</u>	<u>(9,819,935)</u>
Cash flows from financing activities			
Finance costs		(83,111)	(222,937)
Repayment of interest bearing loans and borrowings		(367,646)	(673,638)
Net cash used in financing activities		<u>(450,757)</u>	<u>(896,575)</u>
Net increase (decrease) in cash and cash equivalents		2,776,123	950,673
Cash and cash equivalents at the beginning of the financial year		4,582,657	3,631,984
Cash and cash equivalents at the end of the financial year	4.1(a)	<u>7,358,780</u>	<u>4,582,657</u>

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

Financial assets	4.1
Financing arrangements	4.6

Statement of Capital Works
For the Year Ended 30 June 2018

	Note	2018	2017
Property			
Land		-	11
Total land		-	11
Buildings		1,845,606	2,616,464
Total buildings		1,845,606	2,616,464
Total property		1,845,606	2,616,475
Plant and equipment			
Plant, machinery and equipment		1,354,170	699,578
Fixtures, fittings and furniture		95,254	103,556
Software		188,847	-
Library books		103,346	91,596
Total plant and equipment		1,741,617	894,730
Infrastructure			
Roads		2,968,519	4,276,696
Bridges		872,849	1,022,088
Footpaths and cycleways		227,350	357,961
Drainage		107,619	128,171
Total infrastructure		4,176,337	5,784,916
Total capital works expenditure		7,763,560	9,296,121
Represented by:			
New asset expenditure		286,778	205,513
Asset renewal expenditure		4,418,953	6,901,342
Asset expansion expenditure		876,348	880,240
Asset upgrade expenditure		2,181,481	1,309,026
Total capital works expenditure		7,763,560	9,296,121

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

Notes to Financial Report For the Year Ended 30 June 2018

OVERVIEW

Introduction

The Murrindindi 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 Perkins Street, Alexandra.

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 Australian Accounting Standards, 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

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 estimates are revised and also in futures periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to;

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

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

Amounts in the financial report have been rounded to the nearest dollar. Figures in the financial statement may not equate due to rounding.

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

Note 1 Performance against budget

The budget comparison 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 \$500,000 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 21st June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018	Actual 2018	Variance 2018	Ref
	\$	\$	\$	
Income				
Rates and charges	19,833,000	19,797,539	(35,461)	
Statutory fees and fines	715,000	931,502	216,502	1
User fees	1,903,000	2,311,476	408,476	2
Grants - operating	6,938,000	7,489,788	551,788	3
Grants - capital	1,748,000	2,292,557	544,557	4
Contributions - monetary	123,000	612,772	489,772	5
Contributions - non monetary	194,000	297,180	103,180	6
Other income	1,269,000	1,579,637	310,637	7
Total income	32,723,000	35,312,451	2,589,451	
Expenses				
Employee costs	14,147,000	13,751,412	395,588	
Materials and services	9,493,000	9,436,537	56,463	
Bad and doubtful debts	-	21,193	(21,193)	8
Depreciation and amortisation	8,968,000	8,861,522	106,478	
Borrowing costs	107,000	78,515	28,485	9
Net loss on disposal of property, infrastructure, plant and equipment	249,000	255,167	(6,167)	
Other expenses	295,000	296,106	(1,106)	
Total expenses	33,259,000	32,700,452	558,548	
Surplus/(deficit) for the year	(536,000)	2,611,999	3,147,999	

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

Note 1 Budget comparison (Cont.)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Planning permit fee income increased due to increased statutory charges \$145,000, building permit income was \$21,000 above expectations.
2	User Fees	Federal Government changes to funding Aged Care Packages is driving increasing private demand for Council services \$214,000. Increased waste volumes at the Landfill resulted in an extra \$144,000.
3	Grants - operating	An additional \$248,000 was received for the Commonwealth Financial Assistance Grant. Increased funding due to service growth in the provision of Family Day Care \$139,000. The following grants were received but not budgeted, Streaming for Growth \$50,000, VicRoads Building our Regional Communities \$90,000.
4	Grants - capital	The following grants we received , but not budgeted. Eildon-Jameson Road Blackspot \$288,000, Yea Saleyards \$90,000, Marysville Tourism and Arts Centre \$118,000.
5	Contributions - monetary	Unbudgeted contributions were received for the following 3 projects. Marysville Tourism and Arts Centre \$329,000, Bushfire Memorials \$112,000, and the Yea & District Children's Centre \$50,000.
6	Contributions - non monetary	Council receives contributions in the form of infrastructure as a result of subdivisions and developer contributions, The timing and amount of such contributions is largely outside Councils control. Details of contributions are shown at note 2.3
7	Other income	Additional interest on investments due to increased level of cash, the timing of capital works and receipt of grants \$220,000. Interest on outstanding rates increased \$53,000 due to lower than anticipated debt collection levels. An extra \$56,000 was collected for rent of the Kinglake RAC building.
8	Bad and doubtful debts	Council does not budget for bad and doubtful debts, however an amount owing by a not for profit community organisation was determined as being unrecoverable.
9	Borrowing costs	Council had budgeted for additional loan funding, however it was determined not to proceed with the loan, resulting in interest savings.

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

Note 1 Budget comparison (cont)

1.2 Capital works

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Property				
Land	30,000	-	(30,000)	1
Total Land	30,000	-	(30,000)	
Buildings	2,079,000	1,845,606	(233,394)	2
Total Buildings	2,079,000	1,845,606	(233,394)	
Total Property	2,109,000	1,845,606	(263,394)	
Plant and Equipment				
Plant, machinery and equipment	952,000	1,354,170	402,170	3
Fixtures, fittings and furniture	-	95,254	95,254	4
Computers and telecommunications	205,000	188,847	(16,153)	
Library books	99,000	103,346	4,346	
Total Plant and Equipment	1,256,000	1,741,617	485,617	
Infrastructure				
Roads	2,726,000	2,968,519	242,519	5
Bridges	885,000	872,849	(12,151)	
Footpaths and cycleways	231,000	227,350	(3,650)	
Drainage	226,800	107,619	(119,181)	6
Total Infrastructure	4,068,800	4,176,337	107,537	
Total Capital Works Expenditure	7,433,800	7,763,560	329,760	
Represented by:				
New asset expenditure	300,000	286,778	(13,222)	
Asset renewal expenditure	5,132,000	4,418,953	(713,047)	
Asset expansion expenditure	684,000	876,348	192,348	
Asset upgrade expenditure	1,318,000	2,181,481	863,481	
Total Capital Works Expenditure	7,434,000	7,763,560	329,560	

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

Note 2 Budget comparison (cont)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	The funds were provided in anticipation of the settlement of a road alignment issue. These negotiations are ongoing as of 30 June 2018.
2	Buildings	An initial allocation of \$50,000 for the design of the Marysville Tourism and Arts Centre was increased when a grant to progress the project was received, which resulted in an additional \$450,000 expenditure. Due to delays in confirming required grant funding, budget allocations for the following projects were not spent: Yea Shire Hall \$120,000, Yea Railway Station Playground \$150,000, Alexandra Tennis Courts \$95,000. Delays in the design of a new landfill cell and the design for the capping of the existing cells was delayed due to resourcing constraints, requiring \$210,000 to be carried forward. These projects are now scheduled for completion in 2018/19.
3	Plant, machinery and equipment	The procurement and commissioning of 3 major items of plant wer completed, the waste management prime mover, the mobile library van, and the road maintenance paveline truck. These plant items were initially budgeted for purchase in 2016/17, but funds were carried forward for completing these projects during 2017/18.
4	Fixtures, fittings and furniture	Works carried out at the pools were initially budgeted as buildings works, however these have been classified as equipment purchases. Such items included, pumps, pool vacuums and chlorinators. Other items budgeted as computer and telecommunications have been recorded as equipment.
5	Roads	Funds were received under the Blackspot funding program for work on Eildon-Jamieson Road \$389,000. The Pendlebury and Snodgrass Street special charge schemes did not proceed \$143,000.
6	Drainage	The Buxton flood levy was not constructed and is pending the completion of a study by Goulburn Broken Catchment Management Authority (\$47,000). The majority of the drainage renewal works will be on private property and were delayed to allow for further consultation, investigations and design (\$56,000).

Note 2 Funding for the delivery of our services

	2018 \$	2017 \$
2.1 Rates and charges		
<p>Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its total value of land plus buildings and improvements.</p> <p>The valuation base used to calculate general rates for 2017/2018 was \$4,109 million (2016/2017 \$4,062 million). The 2017/2018 rate in the dollar for general rate was 0.003584 of the capital improved value of the property (2016/2017 - 0.003514).</p> <p>The 2017/2018 Municipal Charge was \$326 (2016/2017 \$320) per rateable assessment. In 2017/2018 the Garbage Service Charge was \$352.50 (2016/2017 \$345.50) and Recycling Charge \$87.50 (2016/2017 \$85.50).</p>		
Residential	6,160,346	5,929,957
Commercial	836,273	831,992
Rural 1	3,151,385	3,121,907
Rural 2	2,990,890	2,871,266
Vacant Land - Residential	578,141	564,776
Vacant Land - Commercial	29,272	29,363
Municipal charge	3,087,387	2,981,430
Garbage charge	2,316,706	2,228,873
Recycling	584,702	561,628
Revenue in lieu of rates	62,437	61,333
Total rates and charges	19,797,539	19,182,525

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

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

2.2 Statutory fees and fines

Building	279,394	290,769
Environmental health and local laws	271,910	276,719
Planning and subdivisions	299,581	207,932
Infrastructure	40,971	33,339
Other	39,646	40,582
Total statutory fees and fines	931,502	849,341

Statutory 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.

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

Note 2	Funding for the delivery of our services (cont.)	2018	2017
2.3	User fees	\$	\$
	Halls and Community Centres	31,819	27,040
	Aged care	756,628	530,784
	Valuation data	10,941	105,318
	Saleyard fees	356,049	318,774
	Recreation pools and leisure centres	101,712	104,970
	Waste - transfer station & landfill fees	1,022,231	891,898
	Other fees and charges	32,096	32,574
	Total user fees	2,311,476	2,011,358

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

2.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	7,948,648	9,618,697
State funded grants	1,833,697	1,623,812

Total grants received	9,782,345	11,242,509
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Operating Grants

Recurrent -Commonwealth Government

Financial Assistance Grants	4,648,228	6,496,112
Aged and disability	894,425	1,013,056
Children services	807,504	704,248

Recurrent -State Government

Aged and disability	338,144	202,720
Children services	180,274	172,237
Public health	13,196	10,192
Library services	164,132	146,362
Road safety	-	9,414

Total recurrent Operating Grants	7,045,903	8,754,341
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Non-recurrent -State Government

Children services	51,250	10,000
Economic development	-	278,270
Emergency management	60,000	60,000
Environmental services	42,023	37,862
Planning services	90,000	-
Public health	4,744	4,744
Library services	5,250	3,000
Recreational services	12,500	112,500
Recycling services	14,409	-
Roads and bridges	90,000	-
Youth services	73,709	87,000

Total non recurrent operating grants	443,885	593,376
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Total Operating grants	7,489,788	9,347,717
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**Notes to Financial Report
 For the Year Ended 30 June 2018**

Note 2.4	Funding from other levels of government (Cont.)	2018 \$	2017 \$
	Capital Grants		
	Recurrent-Commonwealth Government		
	Roads to Recovery	1,598,491	1,405,281
	Recurrent-State Government		
	Library materials	6,253	-
	Total recurrent capital grants	<u>1,604,744</u>	<u>1,405,281</u>
	Non-recurrent-State Government		
	Governance		
	Buildings	355,676	440,535
	Footpaths and cycleways	-	21,000
	Library materials	-	6,257
	Library equipment	40,800	-
	Roads	291,337	21,719
	Total non-recurrent capital grants	<u>687,813</u>	<u>489,511</u>
	Total capital grants	<u><u>2,292,557</u></u>	<u><u>1,894,792</u></u>

Unspent grants received on condition that they be spent in a specific manner

Balance at start of year	985,890	1,557,762
Received during the financial year and remained unspent at balance date	453,480	510,514
Received in prior years and spent during the financial year	639,612	1,082,386
Balance at end of year	<u>799,758</u>	<u>985,890</u>

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

2.5 Contributions

Monetary - operating	34,187	230,223
Monetary - capital	578,585	58,500
Non-monetary - capital	297,180	554,912
	<u>909,952</u>	<u>843,635</u>

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

Land under roads	917	2,507
Heritage Plant and Equipment	10,000	-
Drainage	32,874	112,060
Footpaths and Cycleways	16,042	43,192
Roads	237,347	397,153
	<u>297,180</u>	<u>554,912</u>

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

2.6 Other income

Interest	728,884	663,090
Interest on rates	175,173	159,730
Rental	216,446	146,641
Reimbursements	300,814	439,722
Other	158,320	161,125
	<u>1,579,637</u>	<u>1,570,308</u>

Interest and rent are recognised as it is earned. Other income is measured at the fair value of the consideration received and is recognised when Council gains control over the right to receive the income.

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

Note 3	The cost of delivering services.	2018	2017
		\$	\$
3.1	Employee costs		
	Wages and salaries	11,651,847	10,990,359
	Casual Staff	709,774	572,948
	Superannuation -Defined Benefits Fund	57,788	64,932
	Superannuation -Accumulation Funds	1,088,820	1,025,273
	Fringe benefits tax	37,368	95,806
	Workcover	205,815	174,377
	Total employee Cost	<u>13,751,412</u>	<u>12,923,695</u>

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	57,788	64,932
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Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	704,464	696,888
Employer contributions - other funds	384,356	328,385

	<u>1,146,608</u>	<u>1,090,205</u>
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Employer contributions payable at reporting date.

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	27,150	28,434
Employer contributions - other funds	16,103	13,398

Refer to Note 8.3 for further information relating to Councils Superannuation obligations.

3.2 Materials and services

Consultants	258,859	254,121
Contractors	6,779,173	6,687,756
Contributions	532,473	624,507
Insurance	409,459	422,836
Legal Expenses	206,344	309,748
Materials	757,493	739,344
Utilities	492,736	499,523
Total material and services	<u>9,436,537</u>	<u>9,537,835</u>

3.3 Depreciation and amortisation

Property	2,623,901	2,515,102
Plant and Equipment	842,503	876,856
Infrastructure	4,841,695	5,062,273
Total depreciation	<u>8,308,099</u>	<u>8,454,231</u>
Intangible assets	553,423	504,912
Total depreciation and amortisation	<u>8,861,522</u>	<u>8,959,143</u>

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

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

Note 3	The cost of delivering services (Cont)	2018	2017
3.4	Bad and doubtful debts	\$	\$
	Rate Debtors	2,495	2,495
	Other Debtors	18,698	2,422
	Total bad and doubtful debts	<u>21,193</u>	<u>4,917</u>
3.5	Borrowing cost		
	Interest - borrowings	78,515	115,786
	Interest - provision for landfill rehabilitation	-	99,528
	Total borrowing costs	<u>78,515</u>	<u>215,314</u>
3.6	Net loss on disposal of property, plant and equipment and infrastructure		
	Written down value of assets disposed	504,952	1,055,359
	Less proceeds from sales	<u>(249,785)</u>	<u>(529,651)</u>
		<u>255,167</u>	<u>525,708</u>
	The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.		
	Refer to Note 5.2 for additional details.		
3.7	Other expenses		
	Auditors remuneration - auditing of the financial report	44,600	44,500
	Auditors remuneration - internal audit	35,805	24,350
	Councillors allowances	199,703	175,907
	Other	15,998	21,472
		<u>296,106</u>	<u>266,229</u>

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

Note 4	Our financial position	2018 \$	2017 \$
4.1	Financial assets		
	(a) Cash and cash equivalents		
	Cash at bank and on hand	2,173,780	886,657
	Term deposits and at call	5,185,000	3,696,000
	Total cash and cash equivalents	<u>7,358,780</u>	<u>4,582,657</u>
	(b) Other financial assets		
	Term Deposit - current	24,319,500	23,419,500
	Total other financial assets	<u>24,319,500</u>	<u>23,419,500</u>
	Total financial assets	<u>31,678,280</u>	<u>28,002,157</u>

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

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

Trust funds and deposits (Note 4.3(b))	1,128,612	995,068
Statutory reserves (Note 8.1(b))	487,004	462,254
Total restricted cash and cash equivalents	<u>1,615,616</u>	<u>1,457,322</u>
Total unrestricted cash and cash equivalents	<u>5,743,164</u>	<u>3,125,335</u>

Intended allocations

Although not externally restricted the followings amounts have been allocated for specific future purpose by Council :

Cash held to fund carried forward capital works	2,310,424	2,740,009
Grants received in advance (Note 2.4)	799,758	985,890
Bank Guarantee - quarry	19,500	19,500
Cash held to fund discretionary reserves (Note 8.1)	16,589,285	15,232,438
Portion of long service leave liability	583,044	555,507
Total funds subject to intended allocations	<u>20,302,011</u>	<u>19,533,344</u>

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

Other financial assets are valued at fair value 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 Financial Report
For the Year Ended 30 June 2018**

4.1 Financial assets (Cont.)	2018	2017
(c) Trade and other receivables	\$	\$
Current		
<i>Statutory receivables</i>		
Rates debtors	2,644,888	1,600,611
Provision for doubtful rate debts	(43,946)	(42,560)
Garbage and recycling debtors	462,903	282,776
Special rate scheme	11,430	7,277
Net GST receivable	276,445	245,267
<i>Non statutory receivables</i>		
Other debtors	523,176	333,087
Government grants	827,653	344,857
	<u>4,702,549</u>	<u>2,771,315</u>
Non-current		
<i>Non statutory receivables</i>		
Special rate scheme	15,996	20,366
	<u>15,996</u>	<u>20,366</u>
Total trade and other receivables	<u>4,718,545</u>	<u>2,791,681</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.

At balance date other debtors representing financial assets were past due but not impaired. The ageing of the Council's trade & other receivables excluding statutory receivables was:

Ageing of receivables		
Current (not yet due)	1,156,400	389,681
Past due by up to 30 days	108,934	213,737
Past due between 31 and 180 days	7,272	4,953
Past due between 181 and 365 days	8,908	2,582
Past due by more than 1 year	69,315	66,991
Total trade & other receivables	<u>1,350,829</u>	<u>677,944</u>

Movement in provisions for doubtful debts		
Balance at the beginning of the year	-	86,635
Amounts already provided for and written off as uncollectible	-	(86,635)
Amounts provided for but recovered during the year	-	-
Balance at end of year	<u>-</u>	<u>-</u>

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

4.1 Financial assets (Cont.)

2018	2017
\$	\$

Ageing of individually impaired Receivables

At balance date no debtors representing financial assets were impaired.

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

Past due by more than 1 year	-	86,635
Total trade & other receivables	-	86,635

4.2 Non-financial assets

(a) Other assets

Accrued Income	189,400	190,912
Prepayments	173,811	201,166
	<u>363,211</u>	<u>392,078</u>

(b) Intangible assets

Landfill air space	3,339,343	3,648,477
Software	256,627	77,473
Total intangible assets	<u>3,595,970</u>	<u>3,725,950</u>

Gross carrying amount

Balance at 1 July 2017	77,473	4,234,964	4,312,437
Additions from internal developments	-	234,602	234,602
Other Additions	188,847	-	188,847
Balance at 1 July 2018	<u>266,320</u>	<u>4,469,566</u>	<u>4,735,886</u>

Accumulated amortisation and impairment

Balance at 1 July 2017	-	(586,487)	(586,487)
Amortisation expense	(9,693)	(543,736)	(553,429)
Balance at 1 July 2018	<u>(9,693)</u>	<u>(1,130,223)</u>	<u>(1,139,916)</u>

Net book value at 30 June 2017	<u>77,473</u>	<u>3,648,477</u>	<u>3,725,950</u>
Net book value at 30 June 2018	<u>256,627</u>	<u>3,339,343</u>	<u>3,595,970</u>

Landfill air space represents the unused capacity of the Alexandra landfill. The value of this asset is based on the corresponding landfill restoration provision (refer to note 4.5) adjusted to reflect the portion of unused air space remaining within this landfill. Amortisation is on the basis of the consumption of airspace.

Software assets are amortised as an expense on a straight line basis over the asset's useful life.

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

	\$ 2018	\$ 2017
4.3 Payables		
(a) Trade and other payables		
Trade payables	2,313,373	710,374
Loan Interest	11,599	16,195
Accrued wages	663,347	556,573
Accrued expenses	52,925	40,816
	<u>3,041,244</u>	<u>1,323,958</u>
(b) Trust funds and deposits		
Refundable building deposits	54,500	44,500
Refundable planning permit bonds	245,648	300,135
Retention contract deposits	442,414	364,180
Fire Service Property Levy	118,949	100,578
Other refundable deposits	267,101	185,675
	<u>1,128,612</u>	<u>995,068</u>

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 recognised as revenue at the time of the forfeit.

Purpose and nature of items:

Refundable building deposits and planning permit bonds - These amounts have been received from individuals or companies to guarantee performance of obligations under various building permits, planning permits and contract agreements.

Fire Service Property Levy - Council is the collection agent for this 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 this process.

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

	2018 \$	2017 \$
4.4 Interest-bearing loans and borrowings		
Current		
Bank loans - secured	319,840	367,646
	<u>319,840</u>	<u>367,646</u>
Non-current		
Bank loans - secured	667,026	986,866
	<u>667,026</u>	<u>986,866</u>
Total	<u>986,866</u>	<u>1,354,512</u>

The maturity profile for Council's borrowings is:

Not later than one year	319,840	367,646
Later than one year and not later than five years	634,302	827,972
Later than five years	32,724	158,894
	<u>986,866</u>	<u>1,354,512</u>

Bank Loans are secured by a charge over the general rates of the Council.

Aggregate carrying amount of interest-bearing loans and borrowings:

Current	319,840	367,646
Non-current	667,026	986,866
	<u>986,866</u>	<u>1,354,512</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. Council determines the classification of its interest bearing liabilities at initial recognition.

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

4.5 Provisions

	Employee	Landfill restoration	Total
	\$	\$	\$
2018			
Balance at beginning of the financial year	3,393,543	5,738,237	9,131,780
Additional provisions	1,237,637	234,602	1,472,239
Amounts used	(1,048,991)	-	(1,048,991)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate	-	(29,422)	(29,422)
Balance at the end of the financial year	<u>3,582,189</u>	<u>5,943,417</u>	<u>9,525,606</u>
2017			
Balance at beginning of the financial year	3,389,778	5,301,037	8,690,815
Additional provisions	1,039,467	337,672	1,377,139
Amounts used	(1,035,702)	-	(1,035,702)
Increase in the discounted amount arising because of the time and the effect of any change in the discount rate		99,528	99,528
Balance at the end of the financial year	<u>3,393,543</u>	<u>5,738,237</u>	<u>9,131,780</u>
		2018	2017
		\$	\$
(a) Employee benefits			
Current provision expected to be settled within 12 months			
Annual leave		804,623	775,632
Long service leave		<u>144,401</u>	<u>100,879</u>
		<u>949,024</u>	<u>876,511</u>
Current provision expected to be settled after 12 months			
Annual leave		445,389	395,883
Long service leave		<u>1,968,159</u>	<u>1,886,247</u>
		<u>2,413,548</u>	<u>2,282,130</u>
Total Current employee provision		<u>3,362,572</u>	<u>3,158,641</u>
Non-current			
Long service leave		219,617	234,902
Total Non-current employee provision		<u>219,617</u>	<u>234,902</u>
Aggregate carrying amount of employee benefits:			
Current		3,362,572	3,158,641
Non-current		<u>219,617</u>	<u>234,902</u>
Total aggregate carrying amount of employee benefits		<u>3,582,189</u>	<u>3,393,543</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.

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

4.5 Provisions (Cont.)

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	Key assumptions	2018	2017
	- discount rate	2.35%	2.26%
	- index rate	2.50%	2.50%
	- inflation rate	2.50%	2.50%
	- settlement rate	12 yrs.	12 yrs.

(b) Provisions

Non-current

Landfill restoration

	2018	2017
	\$	\$
	5,943,417	5,738,237
	<u>5,943,417</u>	<u>5,738,237</u>

Council is obligated to restore the 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	2018	2017
- discount rate	3.39%	3.43%
- index rate	2.50%	2.50%
- inflation rate	2.50%	2.50%
- settlement rate	29yrs	30yrs
-estimated cost to rehabilitate	6,087,320	5,943,417

4.6 Financing arrangements

Secured bank loans at fixed interest rates:

	2018	2017
	\$	\$
Facility available	986,866	1,354,512
Used facility	<u>986,866</u>	<u>1,354,512</u>
Unused facility	<u>-</u>	<u>-</u>

Secured bank overdraft subject to annual review and repayable at call:

Facility available	400,000	400,000
Used facility	-	-
Unused facility	<u>400,000</u>	<u>400,000</u>

Should the bank overdraft be utilised the liability would be secured by a mortgage over the general rates of Council.

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

4.7 Commitments

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					
Cleaning buildings and services	104,367	17,849			122,216
Garbage and recycling collection	925,048	952,799	3,033,357	1,072,383	5,983,587
Environment	15,250	5,625			20,875
Insurance	21,000	22,050			43,050
Internal audit	26,100				26,100
Landfill	42,893	40,694	44,625		128,212
Library	63,506				63,506
Management services	12,656				12,656
Photocopiers and printers	49,246	49,246	79,038		177,530
Street Lighting	22,486				22,486
Street sweeping	90,904	90,904	181,808		363,616
Telecommunications	6,942				6,942
Total	1,380,398	1,179,167	3,338,828	1,072,383	6,970,776
Capital					
Buildings & improvements	868,386				868,386
Bridges	61,714				61,714
Drainage	4,475				4,475
Footpaths and cycleways	36,591				36,591
Plant and equipment	44,880				44,880
Roads	36,151				36,151
Software	72,370	56,500			128,870
Total	1,124,567	56,500	-	-	1,181,067

2017	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					
Cleaning buildings and streets	86,157	92,185	15,365	-	193,707
Garbage and recycling collection	898,105	925,048	2,945,007	2,113,532	6,881,692
Internal audit	27,550	26,100	-	-	53,650
Insurance	20,000	21,000	22,050	-	63,050
Landfill	39,114	42,893	85,319	-	167,326
Library	6,966	-	-	-	6,966
Photocopiers and printers	49,246	49,246	128,284	-	226,776
Software	99,609				99,609
Street sweeping	90,904	90,904	272,712	-	454,520
Telecommunications	82,270	6,942	-	-	89,212
Valuation	7,944	-	-	-	7,944
Total	1,407,865	1,254,318	3,468,737	2,113,532	8,244,452
Capital					
Buildings & improvements	4,415	-	-	-	4,415
Bridges	626,583	-	-	-	626,583
Footpaths and cycleways	230,187	-	-	-	230,187
Heritage and cultural	50,662	-	-	-	50,662
Plant and equipment	486,975	-	-	-	486,975
Software	45,600	56,500	56,500	-	158,600
Total	1,444,422	56,500	56,500	-	1,557,422

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):

	2018 \$	2017 \$
Not later than one year	120,131	116,431
Later than one year and not later than five years	133,349	136,579
Later than five years	211,168	18,326
	<u>464,648</u>	<u>271,336</u>

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

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

Note 5 Assets we manage

2018 **2017**
\$ **\$**

5.1 Non-Current assets classified as held for sale

Land	217,047	217,047
	217,047	217,047

A non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell, and is not subject to depreciation. Non-current assets held for sale 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 is expected to be completed within 12 months from the date of classification.

5.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30-June-2017	Acquisitions	Contributions	Revaluations	Depreciation	Disposals	Transfers	At Fair Value 30-June-2018
Land	33,961,352	-	917	11,370,852	-	-	-	45,333,121
Buildings	63,026,740	984,470	-	1,340,763	(2,623,901)	(147,116)	795,138	63,376,094
Plant and Equipment	4,752,097	1,552,770	10,000	-	(842,503)	(165,700)	-	5,306,664
Infrastructure	203,241,279	4,117,281	286,263	23,510,578	(4,841,695)	(192,138)	292,033	226,413,601
Works in Progress	1,300,353	920,192	-	-	-	-	(1,087,171)	1,133,374
	306,281,821	7,574,713	297,180	36,222,193	(8,308,099)	(504,954)	-	341,562,854

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

5.2 Property, infrastructure, plant and equipment (Cont.)

Summary of Works in Progress

	Opening WIP	Additions	Transfers	Closing WIP
Buildings	847,153	861,136	(795,138)	913,151
Infrastructure	453,200	59,056	(292,033)	220,223
Total	1,300,353	920,192	(1,087,171)	1,133,374

Asset recognition thresholds and depreciation periods

	Depreciation Years	Threshold Limit
Land		1
Land under roads		1
Buildings	30 to 80	5,000
Plant and Equipment		
fixtures, fittings and furniture	4 to 20	2,000
computers and telecommunications	4 to 10	2,000
heritage and cultural	20 to 200	1,000
library materials	3 to 10	1,000
plant ,machinery and equipment	3 to 15	2,000
Infrastructure		
bridges	30 to 100	7,500
drainage	50 to 100	5,000
footpaths and cycleways	20 to 70	5,000
road formations and earthworks	100 to 200	5,000
road pavements	20 to 40	5,000

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

5.2 Property, infrastructure, plant and equipment (Cont.)

(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 2017	24,883,347	4,627,349	4,450,656	33,961,352	82,694,910	21,199,344	103,894,254	847,153	138,702,759
Accumulated depreciation at 1 July 2017	-	-	-	-	(32,246,270)	(8,621,244)	(40,867,514)	-	(40,867,514)
	24,883,347	4,627,349	4,450,656	33,961,352	50,448,640	12,578,100	63,026,740	847,153	97,835,245
Movements in fair value									
Acquisition of assets at fair value	-	-	917	917	708,206	276,264	984,470	861,136	1,846,523
Revaluation increments/decrements	995,334	185,094	10,190,424	11,370,852	1,762,210	638,115	2,400,325	-	13,771,177
Fair value of assets disposed	-	-	-	-	(488,577)	-	(488,577)	-	(488,577)
Transfers	-	-	-	-	791,859	3,279	795,138	(795,138)	-
	995,334	185,094	10,191,341	11,371,769	2,773,698	917,658	3,691,356	65,998	15,129,123
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(2,132,708)	(491,193)	(2,623,901)	-	(2,623,901)
Accumulated depreciation of disposals	-	-	-	-	341,461	-	341,461	-	341,461
Revaluation increments/decrements	-	-	-	-	(720,671)	(267,121)	(987,792)	-	(987,792)
Impairment losses recognised in revaluation reserve	-	-	-	-	(71,770)	-	(71,770)	-	(71,770)
	-	-	-	-	(2,583,688)	(758,314)	(3,342,002)	-	(3,342,002)
At fair value 30 June 2018	25,878,681	4,812,443	14,641,997	45,333,121	85,468,608	22,117,002	107,585,610	913,151	153,831,882
Accumulated depreciation at 30 June 2018	-	-	-	-	(34,829,958)	(9,379,558)	(44,209,516)	-	(44,209,516)
	25,878,681	4,812,443	14,641,997	45,333,121	50,638,650	12,737,444	63,376,094	913,151	109,622,366

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

5.2 Property, infrastructure, plant and equipment (Cont.)

(b) Plant and Equipment

	Heritage plant and equipment	Plant machinery and equipment	Fixtures fittings and furniture	Library books	Total plant and equipment
At fair value 1 July 2017	345,787	7,046,941	1,906,184	812,693	10,111,605
Accumulated depreciation at 1 July 2017	(27,127)	(3,766,368)	(1,203,431)	(362,582)	(5,359,508)
	318,660	3,280,573	702,753	450,111	4,752,097
Movements in fair value					
Acquisition of assets at fair value	10,000	1,354,170	95,254	103,346	1,562,770
Fair value of assets disposed	-	(736,444)	(46,291)	(87,502)	(870,237)
	10,000	617,726	48,963	15,844	692,533
Movements in accumulated depreciation					
Depreciation and amortisation	(4,957)	(579,594)	(166,243)	(91,709)	(842,503)
Accumulated depreciation of disposals	-	570,744	46,291	87,502	704,537
	(4,957)	(8,850)	(119,952)	(4,207)	(137,966)
At fair value 30 June 2018	355,787	7,664,667	1,955,147	828,537	10,804,138
Accumulated depreciation at 30 June 2018	(32,084)	(3,775,218)	(1,323,383)	(366,789)	(5,497,474)
	323,703	3,889,449	631,764	461,748	5,306,664

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

**5.2 Property, infrastructure, plant and equipment (Cont.)
 (c) Infrastructure**

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
At fair value 1 July 2017	223,103,591	54,701,604	10,820,636	18,158,806	453,200	307,237,837
Accumulated depreciation at 1 July 2017	(77,196,340)	(18,472,685)	(3,336,415)	(4,537,918)	-	(103,543,358)
	145,907,251	36,228,919	7,484,221	13,620,888	453,200	203,694,479
Movements in fair value						
Acquisition of assets at fair value	3,205,866	813,793	243,392	140,493	59,056	4,462,600
Revaluation increments/decrements	(8,134,700)	6,195,114	1,239,171	2,049,521	-	1,349,106
Fair value of assets disposed	-	(375,861)	-	-	-	(375,861)
Transfers	118,039	173,994	-	-	(292,033)	-
	(4,810,795)	6,807,040	1,482,563	2,190,014	(232,977)	5,435,845
Movements in accumulated depreciation						
Depreciation and amortisation	(3,621,468)	(604,208)	(418,392)	(197,627)	-	(4,841,695)
Accumulated depreciation of disposals	-	183,723	-	-	-	183,723
Revaluation increments/decrements	25,228,425	(2,116,034)	(420,538)	(530,381)	-	22,161,472
	21,606,957	(2,536,519)	(838,930)	(728,008)	-	17,503,500
At fair value 30 June 2018	218,292,796	61,508,644	12,303,199	20,348,820	220,223	312,673,682
Accumulated depreciation at 30 June 2018	(55,589,383)	(21,009,204)	(4,175,345)	(5,265,926)	-	(86,039,858)
	162,703,413	40,499,440	8,127,854	15,082,894	220,223	226,633,824

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 detailed below have been applied when recognising assets within an applicable asset class. These are consistent with the prior year.

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

Where infrastructure 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.

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

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. 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.

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

Valuation of land and buildings

Valuation of land and buildings were undertaken at 30 June 2015 by a qualified independent valuers Marcus Hann valuer registration number 62901 and David Elford valuer registration number 62990. Based on information from the valuers an indexation valuation was applied for 2017/18 being 4% land and 3% buildings level 2 (2.1% level 3). 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.

Land under roads is valued at fair value. Fair value is based on valuations at 30 June 2018 for land under roads in existence at that date, 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. Valuation of land under roads was undertaken by a qualified independent valuer Marcus Hann valuer registration number 62901.

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.

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

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	4,812,443	25,878,681	30-June-2015
Land Under Roads	-	-	14,641,997	30-June-2018
Buildings	-	12,737,444	50,638,650	30-June-2015
Total	-	17,549,887	91,159,328	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken as detailed in the following table. An indexed based revaluation was conducted using ABS data for all infrastructure asset classes not fully revalued in the current year. Infrastructure assets are fully revalued every 3-5 years.

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

	Level 1	Level 2	Level 3	DoV	Valuer
Roads	-	-	162,703,413	01-July-2017	Council Officer John Canny A.A.I.Q.S
Bridges	-	-	40,499,440	30-June-2014	Pitt and Sherry Pty Ltd
Footpaths and cycleway	-	-	8,127,854	30-June-2017	Council Officer John Canny A.A.I.Q.S
Drainage	-	-	15,082,894	30-June-2015	Council Officer John Canny A.A.I.Q.S
Total	-	-	226,413,601		

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 25% 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 \$1 and \$295 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 cost is calculated on a square metre basis and range from \$100 to \$15,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 8 years to 80 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. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 20-200 years. Replacement cost are sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018	2017
	\$	\$
Reconciliation of specialised land		
Active recreation	7,270,633	6,990,994
Community centres and hall reserves	1,524,543	1,465,907
Land under roads	14,641,997	4,450,656
Other	4,784,040	4,600,038
Passive recreation	10,087,596	9,699,611
Waste management	2,211,869	2,126,797
Total specialised land	40,520,678	29,334,003

5.3 Investment in associates, joint arrangements and subsidiaries

Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

Note 6 People and relationships

6.1 Council and key management remuneration

(a) Related Parties

Parent entity
Murrumbidgee Council is the parent entity

Subsidiaries and Associated
There are no subsidiaries and associates

(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 - Charlotte Bisset - Mayor Councillor - Sandice McAulay -Deputy Mayor Councillor - Margaret Rae Councillor - Eric Lording Councillor - Rebecca Bowles Councillor - Jackie Ashe Councillor - Leigh Dunscombe
Officers	Chief Executive Officer - Margaret Abbey - 01/07/2017 - 27/06/2018 Interim Chief Executive Officer - Craig Lloyd - 08/01/2018 - 30/06/2018 GM Corporate & Community Services - Michael Chesworth GM Infrastructure & Development Services - Stuart McConnell

	2018 No.	2017 No.
Total Number of Councillors	7	11
Chief Executive Officer and other Key Management Personnel	4	4
Total Key Management Personnel	<u>11</u>	<u>15</u>

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	2018 \$	2017 \$
Short-term benefits	877,841	715,862
Long-term benefits	24,213	5,667
Termination benefits		
Total	<u>902,054</u>	<u>721,529</u>

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

	2018 No.	2017 No.
\$0 - \$9,999	-	4
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	6	1
\$30,000 - \$39,999	-	1
\$40,000 - \$49,999	-	2
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$90,000 - \$99,999	1	-
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	1	-
\$240,000 - \$249,999	-	1
\$250,000 - \$259,999	1	-
	<u>11</u>	<u>15</u>

6.1 Council and key management remuneration (Cont.)

(d) Senior Officers Remuneration

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

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

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

Income Range:	2018 No.	2017 No.
\$145,000 - \$149,999	4	3
\$150,000 - \$159,999	1	2
Total Senior Officers	5	5
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	740,619	741,866

6.2 Related party disclosure

(a) Transactions with related parties

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

- 1. Alexandra Hotel - 3 Transactions of \$284 for catering of Council or community events.
- 2. Continuing Education & Arts Centre of Alexandra Inc. - 3 Transactions totalling \$23,026 for the provision of staff training and the auspicing of the L2P & Through the Ages Community Programs.

All transactions entered into were made under the appropriate delegation, with any conflict of interest appropriately declared and reported.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

No loans are in existence as at 30 June 2018 between Council and any related party, nor were any loan transactions entered into during the 2017/18 financial year.

(d) Commitments to/from related parties

No commitments are in existence as at 30 June 2018 between Council and any related party, nor were any commitments made during the 2017/18 financial year.

Note 7 Managing uncertainties

7.1 Contingent liabilities and contingent assets

(a) Contingent assets

There were no contingent assets as at 30 June 2018 (2017 Nil)

Operating lease receivables

The Council has entered into commercial property leases on its Caravan Parks and other property assets. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 99 years.

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

	2018	2017
	\$	\$
Later than one year and not later than five years	147,473	127,392
Later than five years	605,737	532,808
	1,458,636	1,581,377
	2,211,846	2,241,577

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

Legal Liabilities

As these matters are yet to be finalised, and the financial outcomes are unable to be reliably estimated, no allowance for these contingencies has been made in the financial report.

7.2 Change in accounting standards

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

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

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

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

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

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

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

Notes to Financial Report For the Year Ended 30 June 2018

7.3 Financial Instruments

(a) Objectives and policies

The Council's principal financial instruments comprise cash assets, term deposits, receivables excluding statutory receivables and payables including bank borrowings but excluding statutory payables. Details of the significant accounting policies and methods are disclosed in Note 1 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 our financial instruments will fluctuate because of changes in market prices. The Council's exposures 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. 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 rate.

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 a material 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 has exposure to credit risk on all financial assets included in the balance sheet. To help manage this risk:

- Council has a policy for establishing credit limits for the entities it deals with
- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in the investment policy.

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

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

(c) Credit risk (cont.)

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

The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. Council does not hold any collateral.

7.3 Financial Instruments (Cont.)

(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:

- has an investment policy which requires that only surplus funds are invested in financial assets;
- has readily accessible standby facilities and other funding arrangements in place;
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

Council's exposure to liquidity risk 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
Unless otherwise stated, the carrying amount 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, the Council believes the following movements are 'reasonably possible' over the next 12 months.

- A parallel shift of +0.25% and -0.25% in market interest rates (AUD) from year-end rates of 1.5%.

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 Financial Report For the Year Ended 30 June 2018

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

For the purpose of fair value disclosures, Council has determined classes of assets on the basis of the nature, characteristics and risks of the asset 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, furniture and equipment, library books and heritage assets, 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, 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 on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed in Note 5.2, Property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings and infrastructure assets on a regular basis ranging from 3 to 5 years.

The valuation is performed either by experienced council officers or an independent expert valuer.

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 this 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 to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

7.5 Events occurring after balance date

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

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

Note 8 Other Matters

8.1 Reserves

	2018 \$	2017 \$
Asset revaluation reserves (a)	219,166,553	182,944,361
Other reserves (b)	17,076,289	15,694,692
	<u>236,242,842</u>	<u>198,639,053</u>

	Balance at beginning of reporting period \$	Increment (decrement) \$	Balance at end of reporting period \$
(a) Asset revaluation reserves	\$	\$	\$
2018			
Property			
Land	25,058,633	1,180,428	26,239,061
Land under roads	884,981	10,190,424	11,075,405
Buildings	27,057,541	1,340,763	28,398,304
	<u>53,001,155</u>	<u>12,711,615</u>	<u>65,712,770</u>
Infrastructure			
Bridges	4,559,345	4,079,080	8,638,425
Drainage	9,229,706	1,519,140	10,748,846
Footpaths and cycleways	5,142,459	818,633	5,961,092
Roads	111,011,695	17,093,725	128,105,420
	<u>129,943,205</u>	<u>23,510,578</u>	<u>153,453,783</u>
Total Asset revaluation reserves	<u>182,944,360</u>	<u>36,222,193</u>	<u>219,166,553</u>
2017			
Property			
Land	21,896,772	3,161,861	25,058,633
Land under roads	884,981	-	884,981
Buildings	25,890,178	1,167,363	27,057,541
	<u>48,671,931</u>	<u>4,329,224</u>	<u>53,001,155</u>
Infrastructure			
Bridges	4,559,345	-	4,559,345
Drainage	9,229,706	-	9,229,706
Footpaths and cycleways	4,241,667	900,792	5,142,459
Roads	111,011,695	-	111,011,695
	<u>129,042,413</u>	<u>900,792</u>	<u>129,943,205</u>
Total Asset revaluation reserves	<u>177,714,344</u>	<u>5,230,016</u>	<u>182,944,360</u>

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

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

8.1 Reserves (cont.)	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
(b) Other reserves	\$	\$	\$	\$
2018				
Statutory Reserves				
Public Open Space	462,254	24,750	-	487,004
	-			
Discretionary Reserves				
Alexandra Community Leisure Centre	20,802	-	(20,802)	0
Defined Benefits Superannuation	1,050,000	150,000	-	1,200,000
Gifted and Novated Assets	920,000	-	-	920,000
Infrastructure Contributions Parking	41,080	-	-	41,080
Infrastructure Balance MAP funding	516,378	-	(17,950)	498,428
Infrastructure Maintenance	1,016,760	109,370	(86,000)	1,040,130
Infrastructure Unexpended Capital Works	1,073,692	-	(283,713)	789,979
Landfill and Waste Management	6,197,679	1,921,967	(335,135)	7,784,511
Marysville Caravan Park	149,784	61,204	(121,866)	89,122
New and Expanded Assets	4,122,936	-	(82,404)	4,040,532
Marysville Community Fund	63,531	-	-	63,531
Road Maintenance - Subdividers Contribution	16,044	-	-	16,044
Shaw Avenue Redevelopment	43,752	-	-	43,752
Yea Caravan Park	-	7,358	(7,358)	-
Yea Saleyards	-	139,986	(77,810)	62,176
Total Other reserves	15,694,692	2,414,635	(1,033,038)	17,076,289

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
2017				
Statutory Reserves				
Public Open Space	423,754	38,500	-	462,254
Discretionary Reserves				
Alexandra Community Leisure Centre	13,106	7,696	-	20,802
Defined Benefits Superannuation	900,000	150,000	-	1,050,000
Gifted and Novated Assets	920,000	-	-	920,000
Infrastructure Contributions Parking	41,080	-	-	41,080
Infrastructure Balance MAP funding	434,022	82,356	-	516,378
Infrastructure Maintenance Reserve	734,760	282,000	-	1,016,760
Infrastructure Unexpended Capital Works	491,273	582,419	-	1,073,692
Landfill and Waste Management	5,620,300	1,435,215	(857,836)	6,197,679
Marysville Caravan Park	92,891	60,670	(3,777)	149,784
New and Expanded Assets	3,816,268	331,613	(24,945)	4,122,936
Marysville Community Fund	63,531	-	-	63,531
Road Maintenance - Subdividers Contribution	16,044	-	-	16,044
Shaw Avenue Redevelopment	43,752	-	-	43,752
Yea Saleyards	336,064	158,751	(494,815)	-
Total Other reserves	13,946,845	3,144,950	(1,397,103)	15,694,692

8.1 Reserves (cont.)

Alexandra Community Leisure Centre reserve will cease to operate in 2018/19.

Defined Benefits reserve has been created to meet any obligations for future funding calls from the Vision Super Defined Benefits Superannuation Fund.

Gifted and Novated reserve is funds set aside from State Government funding for new assets gifted after the 2009 bushfires.

Infrastructure Maintenance Reserve represents funds set aside for addressing council's long term infrastructure renewal obligations.

Infrastructure Contributions reserve represents payments from Subdividers set aside for future infrastructure works relating to provision of car parking.

Infrastructure balance MAP represents the final payment received from State Government related to the Murrumbidgee Assistance Package.

Infrastructure Unexpended Capital works relate to carried forward items from 2017/18 that will be completed in early 2018/19.

Landfill and waste management reserve represents funds set aside for rehabilitation of Landfill site. The reserve is to be utilised for future works to maximise life of the landfill site (eg. cell construction, cell capping and Leachate management over the next 10 years)

Marysville Caravan Park reserve is surplus operational funds set aside for future capital works.

Marysville Community Fund are funds set aside from sale of Council assets in Marysville that are to be reinvested in infrastructure in Marysville.

New and Expanded assets reserve represents funds set aside for future capital works on assets gifted following the 2009 bushfires.

Public Open Space represents payments from subdividers as specified under the Subdivisions Act, to fund future creation of areas of recreational land.

Road Maintenance reserve consists of contributions from subdividers to future road maintenance cost impacted by respective subdivisions.

Shaw Avenue reserve represents funds set aside for redevelopment of remaining land.

Yea Caravan Park reserve is surplus operational funds set aside for future capital works.

Yea Saleyards reserve is surplus operational funds set aside for future capital works.

8.2 Reconciliation of cash flows from operating activities to surplus

	2,018	2,017
	\$	\$
Surplus for the financial year	2,611,999	3,266,835
Depreciation and amortisation	8,861,522	8,959,143
Contributions - non-monetary	(297,180)	(554,912)
Finance Costs	83,111	222,937
(Gain)/loss on disposal of property, plant and equipment, infrastructure	255,167	525,708
Change in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(1,926,864)	260,783
(Increase)/Decrease in inventories	13,972	(4,221)
(Increase)/Decrease in other current assets	28,867	(362,365)
Increase/(Decrease) in trade and other payables	1,144,442	(1,109,200)
Increase/(Decrease) in trust funds and deposits	133,544	21,510
Increase in provisions	159,224	440,965
Net cash provided by operating activities	11,067,804	11,667,183

8.3 Superannuation

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

Accumulation

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

Defined Benefit

Murrumbidgee Shire 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 Murrumbidgee Shire Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 is \$50381.

Funding Arrangements

Murrumbidgee Shire Council makes employer contributions to the defined benefit category of the Fund at rates determined by the Trustee on the advice of the Fund's Actuary.

As at 30 June 2017, a triennial/full actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. The financial assumptions used to calculate the VBIs were:

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

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

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2017 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 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increase to the 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.

8.3 Superannuation (Cont.)

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

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

2017 triennial actuarial investigation.

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. 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 the expected future benefits and expenses. as at June 2017.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2017

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of the expected future benefits and expenses as at 30 June 2017

Council was notified of the 30 June 2017 VBI during August 2017.

2018 Interim actuarial investigation

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

Enterprise bargaining agreement

Staff employed under Councils Enterprise Bargaining Agreement are entitled to additional superannuation depending on years of service as outlined below;

- Years of service between 10- 15 1%
- Years of service greater than 15 2%

Description of Municipality

Murrindindi Shire Council ("the Council") is situated 150 kms or 90 minutes north-east of Melbourne.

The Wurundjeri tribe and the Taungurung language speakers are the traditional owners of the land known as the Shire of Murrindindi. European settlement followed Hume and Hovell's overland exploration in December 1824. Many local towns were established during the 1850s and 1860s following the discovery of gold.

The Murrindindi Shire Council was declared on 18 November 1994 by the amalgamation of the former municipalities of Alexandra and Yea, and the addition of parts of the former municipalities of Healesville, Broadford, Eltham, Whittlesea and Euroa.

The main industries of the Shire include agriculture, aquaculture, horticulture, forestry and timber processing, tourism and hospitality, light manufacturing and engineering, retail and trades services, education and public services.

The council covers an area of 3,873 square kilometres, of which 48% is Crown land, and has a population of 14,167 as of the most recent Australian Bureau of Statistics update.

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

PERFORMANCE STATEMENT

Sustainable Capacity Indicators

<i>Indicator / measure</i>	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,231.08	\$2,287.29	\$2,336.32	\$2,308.21	No material variations for 2017/18.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$20,160.79	\$19,818.00	\$19,937.14	\$21,943.37	Infrastructure values increased in 2017/18 following scheduled re-valuations of roads and land under roads.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	11.33	11.02	11.25	11.43	No material variations for 2017/18.
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,574.79	\$1,665.55	\$1,701.02	\$1,737.85	No material variations for 2017/18.
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$706.49	\$511.28	\$731.86	\$610.62	Recurrent grants received in 2017/18 decreased primarily due to the timing of the Victorian Grants Commission funding.
Disadvantage					
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	8.00	6.00	6.00	6.00	No material variations for 2017/18.

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

PERFORMANCE STATEMENT

Service Performance Indicators

Service/indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations
Aquatic Facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	1.57	1.42	1.30	1.42	Utilisation of aquatic facilities grew strongly in 2017/18, primarily through increased season ticket holders and at the Alexandra Pool.
[Number of visits to aquatic facilities / Municipal population]					
Animal Management					
Health and safety					
<i>Animal management prosecutions</i>	0.00	2.00	0.00	0.00	No material variations for 2017/18.
[Number of successful animal management prosecutions]					
Food Safety					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	100.00%	100.00%	100.00%	100.00%	No material variations for 2017/18.
[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100					
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i>	47.00	42.00	41.00	45.00	A 10% increase in community satisfaction for Council decisions is noted for 2017/18.
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Libraries					
Participation					
<i>Active library members</i>	16.68%	21.44%	40.25%	20.61%	The result for 2016/17 as reported is incorrect. The correct figure is 22%.The 2017/18 result is consistent with prior years.
[Number of active library members / Municipal population] x100					

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

PERFORMANCE STATEMENT

<i>Service/indicator /measure</i>	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations
Maternal and Child Health (MCH)					
Participation					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	70.30%	95.28%	98.36%	100.00%	No material variations for 2017/18.
Participation					
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	100.00%	100.00%	100.00%	100.00%	No material variations for 2017/18.
Roads					
Satisfaction					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	52.00	51.00	46.00	42.00	No material variations for 2017/18.
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	100.00%	100.00%	66.67%	66.67%	Of the 3 Council planning decisions referred to VCAT in 2017/18, 2 were upheld.
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i> [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	36.18%	39.59%	36.30%	34.92%	No material variations for 2017/18.

Notes to Financial Report
For the Year Ended 30 June 2018

PERFORMANCE STATEMENT									
Financial Performance Indicators									
Dimension/indicator/measure	Results 2015	Results 2016	Results 2017	Results 2018	Forecasts				Material Variations
					2019	2020	2021	2022	
Efficiency									
Revenue level									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$899.06	\$1,021.57	\$1,076.61	\$1,102.16	\$1,132.21	\$1,146.23	\$1,160.41	\$1,174.77	No material variations for 2017/18.
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$3,192.12	\$3,237.78	\$3,331.23	\$3,358.70	\$3,521.06	\$3,563.64	\$3,612.60	\$3,692.31	No material variations for 2017/18.
Workforce turnover									
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	16.26%	16.10%	11.96%	9.07%	8.60%	8.33%	8.33%	8.33%	No material variations for 2017/18.
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	397.61%	390.20%	537.67%	471.11%	525.89%	514.48%	495.00%	528.28%	Council has revised its debt strategy and is continuing to reduce its levels of borrowing. No new debt has been occurred by Council in the last 5 years.
Unrestricted cash									
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	73.10%	28.47%	53.47%	73.14%	74.09%	69.60%	61.10%	79.04%	Council has revised its debt strategy and is continuing to reduce its levels of borrowing. No new debt has been occurred by Council in the last 5 years.

Notes to Financial Report
For the Year Ended 30 June 2018

PERFORMANCE STATEMENT									
PERFORMANCE STATEMENT									
Dimension/indicator/measure	Results 2015	Results 2016	Results 2017	Results 2018	Forecasts				Material Variations
					2019	2020	2021	2022	
Obligations									
Asset renewal									
Asset renewal compared to depreciation	51.67%	49.41%	81.63%	53.19%	57.99%	47.54%	43.54%	58.17%	Council's capital works budget for 2017/18 focussed more on upgrade and expansion projects than compared with previous years, resulting in a lower comparison to depreciation levels for the last financial year.
[Asset renewal expense / Asset depreciation] x100									
Loans and borrowings									
Loans and borrowings compared to rates	16.58%	11.09%	7.06%	4.98%	3.25%	2.36%	1.54%	0.74%	Council has revised its debt strategy and is continuing to reduce its levels of borrowing. No new debt has been occurred by Council in the last 5 years.
[Interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings repayments compared to rates	6.64%	5.09%	4.12%	2.28%	1.85%	1.42%	1.03%	0.64%	Council has revised its debt strategy and is continuing to reduce its levels of borrowing. No new debt has been occurred by Council in the last 5 years.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Indebtedness									
Non-current liabilities compared to own source revenue	17.36%	30.71%	29.47%	27.74%	28.82%	27.61%	26.46%	25.35%	No material variations for 2017/18.
[Non-current liabilities / Own source revenue] x100									
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit)	3.51%	-2.55%	6.25%	3.11%	-1.56%	-1.31%	-1.17%	-1.03%	Council recorded another surplus in 2017/18, though again it was strongly influenced by the advance payment from the Victorian Grants Commission that was received in late June. Without this advance payment, Council's operating result would have been close to breakeven, in line with Council's original budget.
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100									
Stability									
Rates concentration									
Rates compared to adjusted underlying revenue	53.66%	60.33%	55.45%	58.66%	60.22%	60.52%	60.80%	61.07%	No material variations for 2017/18.
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
Rates compared to property values	0.43%	0.46%	0.47%	0.48%	0.48%	0.50%	0.51%	0.52%	No material variations for 2017/18.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the Local Government Act 1989 and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

The forecast figures included in the performance statement are based on the assumptions adopted by council in its budget and strategic resource plan on 27 June 2018. The budget and strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. Council's budget and strategic resource plan are available on Council's website (www.murrindindi.vic.gov.au) or copies are available in all three of Council's offices.

Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"adjusted underlying revenue" means total income other than -

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to in paragraphs (a) and (b)

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"annual report" means an annual report prepared by a Council under sections 131, 132 and 133 of the Act

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984* that have been declared as class 1 food premises under section 19C of the Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984* that have been declared as class 2 food premises under section 19C of the Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

"food premises" has the same meaning as in the *Food Act 1984*

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which Council is the responsible road authority under the *Road Management Act 2004*

"MCH" means the Maternal and Child Health Service provided by Council to support the health and development of children within the municipality from birth until school age

"non-current assets" means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

"non-recurrent grant" means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by Council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of Council (including government grants)

"population" means the resident population estimated by Council

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant" means a grant other than a non-recurrent grant

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage of SEIFA

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its website

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"unrestricted cash" means all cash and cash equivalents other than restricted cash

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.



MINUTES

of the

AUDIT ADVISORY COMMITTEE MEETING

THURSDAY 13 SEPTEMBER 2018

at

ALEXANDRA - COUNCIL CHAMBER

3.02 pm

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1. PRESENT/APOLOGIES

Present:

- Michele Sheward (Chair)
- Ian McKaskill
- Claude Baxter
- Cr Charlotte Bisset (Mayor)
- Cr Leigh Dunscombe
- Cr Sandice McAulay

In attendance:

- Craig Lloyd, Chief Executive Officer
- Michael Chesworth, Director Corporate and Shared Services
- Stuart McConnell, Director Assets and Development
- Alan Cassell, Financial Accountant
- Liz Peddie, Coordinator Human Resources
- John Gavens, Partner, Crowe Horwath
- Stephen Clarke, Johnsons MME
- Audrey Kyval, Governance Officer

2. DECLARATIONS OF INTEREST

Nil

3. CONFIRMATION OF MINUTES

3.1 Minutes of the Audit Advisory Committee Meeting held on 25 May 2018.

Officer Recommendation

That the Minutes of the Audit Advisory Committee Meeting held on 25 May 2018 be confirmed.

RESOLUTION:

I McKaskill / L Dunscombe

That the Minutes of the Audit Advisory Committee Meeting held on 25 May 2018 be confirmed.

CARRIED

4. REVIEW ANY BUSINESS ARISING FROM PREVIOUS MINUTES

4.1 INVESTMENT POLICY

This report will be deferred to the Audit Advisory Committee meeting on 13 December 2018.

Noted.

5. RISK MANAGEMENT

5.1 REVIEW RISK REGISTER (SUMMARY OF CHANGES)

Attachment(s) *Strategic Risk Register - Summary Report September 2018 (refer Attachment 5.1)*

This report was presented by Michael Chesworth.

RESOLUTION:

I McKaskill / Cr L Dunscombe

That the Committee notes the summary of changes to the Strategic Risk Register and the need to revise and consolidate the risk statements.

CARRIED

The Strategic Risk Register needs to be reviewed for the following reasons:

- residual risks to be determined
- clearer determination of targets
- risk with Council officer's resignation/departure
- risks can be amalgamated.

5.2 REVIEW RISK MANAGEMENT FRAMEWORK AND POLICY

Attachment(s): *Policy Enterprise Risk Management (refer Attachment 5.2a)*
Guidelines – Risk Management Quick Reference Guide (refer Attachment 5.2b)

The current Enterprise Risk Management Policy (*Attachment 5.2a*) was most recently adopted by Council at the 25 October 2017 Ordinary Meeting of Council. The Enterprise Risk Management Policy (Policy) is consistent with the AS/NZ ISO 3100:2009 – Risk Management Principles and Guidelines and draws on best practice from other councils, the Victorian Managed Insurance Authority and the Municipal Association of Victoria. The Policy sets Council's risk management principles, organisational culture, risk appetite, roles and responsibilities and risk reporting framework.

The Policy is still viewed as being current and reflective of a best practice approach to enterprise risk management, though a few minor updates are required to ensure that this Policy aligns with the new organisational structure (for example, changing reference from General Managers to Directors). Any further suggested changes or discussion points will be sought from the Audit Advisory Committee (Committee) at the meeting.

Also attached is the Guidelines - Risk Management Quick Reference Guide, which summarises the Council's risk management framework in a simple to use guideline for staff. This document is supported by a more extensive Risk Management Guidelines document which details Council's risk management framework. This 25 page document can be provided to the Committee on request. Both documents will also need to be updated to reflect the new organisational structure.

RESOLUTION:

C Baxter / I McKaskill

That the Committee endorses the Risk Management Framework and Policy subject to minor changes as discussed.

CARRIED

The full document for Risk Management Guidelines to be distributed to the Committee.
Committee

The Committee suggested that the Executive review the list of strategic risks with a view to consolidating the list to reduce duplication.

5.3 CEO'S MATTERS

5.3.1 CEO'S QUESTIONNAIRE

Attachment(s): *Chief Executive's Questionnaire to General Managers - CEO (refer Attachment 5.3.1)*

The Chief Executive Officer, Craig Lloyd, presented this at the meeting.

RESOLUTION:

C Baxter / I McKaskill

That the Committee notes the CEO's Questionnaire.

CARRIED

5.3.2 ORGANISATION STRUCTURE

A verbal presentation of the organisational structure was made by Craig Lloyd.

5.4 RECENT REPORTS AND PUBLICATIONS OF INTEREST TO LOCAL COUNCILS

Attachment(s) *Publications of Interest – Apr-Jun 2018 (refer Attachment 5.4a)*
MSC Progress Report as at 27 July 2018 (refer Attachment 5.4b)

This report was presented by Crowe Horwath.

Noted.

6. **AUDITS – INTERNAL**

6.1 **REVIEW INTERNAL AUDIT REPORTS AND MANAGEMENT RESPONSES**

Attachment(s): *Internal Audit - Contract Management Audit Report FINAL (refer Attachment 6.1)*

This report was presented by Crowe Horwath.

Noted.

6.2 **FOLLOW UP SIGNIFICANT ISSUES RAISED BY INTERNAL AUDIT**

Nil to report.

6.3 **REVIEW IMPLEMENTATION OF PREVIOUS AUDIT ACTIONS**

Attachment(s): *Internal Audit Recommendations – Status of Actions August 2018 (refer Attachment 6.3)*

This report was presented at the meeting by Michael Chesworth

Noted.

6.4 **REVIEW SCOPES OF AUDITS BY CROWE HORWATH**

Attachment(s): *Internal Audit Kerbside Waste Management Draft Audit Scope (refer Attachment 6.4)*

This report was presented by Crowe Horwath.

Noted.

7. **AUDITS - EXTERNAL**

7.1 **CONSIDER EXTERNAL AUDITORS COMMENTS ON CONTROL ENVIRONMENT AND MANAGEMENT LETTERS**

Attachment(s): *Draft Final Management Letter 2017/18 (refer Attachment 7.1a)*
Closing Report 2017/18 (refer Attachment 7.1b)

Council's appointed external auditors, Johnsons MME, attended the meeting to address any matters raised during the Audit. Discussion regarding any management letter points will be led by Johnsons MME and will be referenced in consideration of the financial statements that are to be discussed at item 8.2 on today's agenda.

Noted.

All Council officer's in attendance left the Chamber prior to consideration of item 7.2 of the agenda at 4.47 pm

7.2 COMMITTEE TO MEET WITH EXTERNAL AUDITORS WITHOUT OFFICERS PRESENT

All Council officer's in attendance returned to the Chamber at 4.53 pm

Stephen Clarke and Cr Charlotte Bisset left the meeting at 4.53 pm

8. FINANCIAL REPORT

8.1 REVIEW SIGNIFICANT ACCOUNTING AND REPORTING ISSUES

Nil to report.

8.2 REVIEW AND RECOMMEND ADOPTION OF ANNUAL FINANCIAL REPORT

Attachment(s): *Financial Statements 2017/18 (refer Attachment 8.2a)*
Performance Statement 2017/18 (refer Attachment 8.2b)

Background

Council officers will present to the Audit Advisory Committee the Financial Statements inclusive of the Standard Statements and Performance Statement for the financial year ended 30 June 2018.

Representatives of Council's appointed external auditors, Johnsons MME, will speak to the meeting to address any matters raised during the Audit. Council officers will also be in attendance to provide input where required.

Following the review of the Financial Statements by the Audit Advisory Committee (Committee), it is proposed that the Committee recommend approval of the statements by Council subject to any changes required by the Victorian Auditor-General's Office (VAGO).

The resolution by Council involves approval of the Financial Statements in principle, and will require authorisation by two Councillors to certify the Financial Statements in their final form.

A draft copy of the 2017/18 Financial Statements and Performance Statement are attached to the agenda.

Purpose

The purpose of this report is to present the Financial Statements for the financial year ended 30 June 2018 for the Committee's review.

Officer Recommendation

That it be recommended to Council that:

1. Council approve in principle the Murrindindi Shire Council Financial Statements and Performance Statement subject to the review by the Victoria Auditor-General's Office for the year ended 30 June 2018 as tabled

2. Council authorise two Councillors to certify the Financial Statements and Performance Statement subject to the review of by the Victoria Auditor-General's Office in their final form after any changes recommended, or agreed to, by the Auditor have been made.

RESOLUTION:

I McKaskill / L Dunscombe

That it be recommended to Council that:

1. **Council approve in principle the Murrindindi Shire Council Financial Statements and Performance Statement subject to the review by the Victoria Auditor-General's Office for the year ended 30 June 2018 as tabled**
2. **Council authorise two Councillors to certify the Financial Statements and Performance Statement subject to the review of by the Victoria Auditor-General's Office in their final form after any changes recommended, or agreed to, by the Auditor have been made.**

CARRIED

9. MANAGEMENT REPORTING

9.1 LOCAL GOVERNMENT PERFORMANCE REPORTING FRAMEWORK

The information contained within Council's Annual Report and Financial Statements will be updated to the Know Your Council website for publishing alongside all other councils and the state averages for 2017/18.

As pre previous years, it is anticipated that the revised information will be available to the public from mid-November.

Noted.

There is an opportunity for Council to provide feedback regarding the review of Know Your Council.

10. GENERAL BUSINESS AND FUTURE PLANNING

10.1 EXCESSIVE LEAVE - GREATER THAN SIX WEEKS AND LONG SERVICE LEAVE BALANCE

- Attachments(s) *Annual Leave Report – Excess of 6 Weeks (refer Attachment 10.1a)*
Trend Graph of Accrued Annual Leave (refer Attachment 10.1b)
Accrued Annual Leave Compared to Benchmark of 4 Weeks - per EFT and benchmark 2 of 95 hours (refer Attachment 10.1c)
Trend Graph - Accrued Long Service Leave (refer Attachment 10.1d)

Purpose

The purpose of this report is to provide the Audit Advisory Committee with an overview of the status of Council's excess annual leave and long service leave balances.

This report is provided as an annual report.

Officer Recommendation

That the Audit Advisory Committee notes the report on accrued annual leave and long service leave balances.

Discussion

Annual Leave

All managers have access to a leave report that enables them to view excess leave for their staff. The Human Resources unit reports to the Council's leadership team on a quarterly basis on HR metrics, including excess leave.

Staff with Six Weeks Excess Annual Leave

As at 31 August 2018 there were 45 staff with leave in excess of six weeks. This is two fewer people than in August 2017. The hours accrued by this group has fluctuated over the last twelve months with an overall net decrease of 563 hours over the previous year.

Previous year	# of staff with excess of six weeks	Available Hours for staff with excess of six weeks	Change in hours for staff with excess over previous year
Sep-13	54	12,895.88	
Aug-14	54	12,979.54	83.66
Aug-15	55	12,852.38	-127.16
Aug-16	48	11,975.36	-877.02
Aug-17	47	11,689.60	-285.76
Sep-18	45	11,125.72	-563.88

All Staff Annual Leave

The total of accrued hours (annual leave accrual for all staff) has also dropped slightly from the same date last year (by 402.91 hours). The total accrual is still 1,366 hours more than at the same time in 2008, but fewer (-864 hours) than at the same time in 2009.

The reason for referencing these 2008 and 2009 dates is that the impact of the 2009 bushfires on the organisation meant that many people did not take sufficient leave for one to two years and the accrued effects are still evident – particularly in some pivotal positions.

Year	All AL Hours Accrued	+/- over previous year
10/09/08	23,585.56	
09/09/09	25,816.14	2,230.58
08/09/10	28,388.17	2,572.03
07/09/11	29,318.57	930.40
05/09/12	26,517.96	-2,800.61
06/09/13	23,225.37	-3,292.59
04/09/14	23,790.91	565.54
03/09/15	25,368.40	1,577.49
31/08/16	24,482.30	-886.10
01/09/17	25,536.12	1053.82
30/08/18	24,952.09	-584.03

While there is a slow improvement in those with excess leave, the overall accrual has retained a fairly static pattern. The challenge remains on continuing to reduce the overall leave balance, closer to the target benchmarks (set in the 2013-14 year):

- Benchmark 1 = an average of 20 days (four weeks or 152 hours) per FTE.
- Benchmark 2 = an average of 12.5 days (2.5 weeks or 95 hours) per FTE.

Council's Human Resources unit has continued to focus mostly on those employees with leave in excess of eight weeks. In 2017/18, the Human Resources Coordinator regularly provided reports and again contacted all Managers and as well as the affected staff and required that a leave plan was put in place for all staff with excess leave.

Council's Enterprise Agreement enables staff to cash out excess annual leave but this provision only has minor impact overall, only being taken up by one employee in the 2017/18 financial year.

The attached tables report by Department the number of staff and their amount of excess hours. Managers have access to full details.

Note also:

1. while employees may have agreed leave plans, the actual leave request is not always lodged in the database as approved leave until close to the time of leave (therefore does not reduce pending balances in the report)
2. In areas such as Community Services employees with low workloads (e.g. seven hours/week), may have excess number of weeks leave, but once calculated as Full Time Equivalent (FTE) weeks, the amount of time (liability) appears more manageable, and the number of staff with more than six full time equivalent weeks reduces significantly. For example, the 47 employees with leave in excess of six weeks, reduces to 22 people when calculated as FTE weeks.

Long Service Leave (LSL)

The following provides an annual indication of the LSL accrued entitlement for the past five years.

Council's LSL balance increased marginally by 501 hours (approximately 13 full time equivalent weeks) in the past 12 months. While some staff have taken LSL and some long term staff have retired, this has not completely offset the accrual. Note recent departures and redundancies effective in September 2018 are not captured in the data.

Annual	TOTAL LSL Hours	Change +- accrued hours	change in FTE weeks
01/10/12	54,500.90		
21/08/13	54,387.60	-113.30	-2.98
04/09/14	55,420.94	1,033.34	27.19
19/08/2015	53,187.21	-2,233.73	-58.78
31/08/16	49,762.76	-3,424.45	-90.02
17/08/17	48,280.89	-1,481.87	-39.00
29/08/18	48,782.27	501.38	13.19

Conclusion

The Coordinator Human Resources and Leadership Team will continue to monitor and report on trends, and support managers to implement leave plans for employees with outstanding leave balances.

RESOLUTION:

C Baxter / Cr L Dunscombe

That the Audit Advisory Committee notes the report on accrued annual leave and long service leave balances.

CARRIED

John Gavens left the meeting prior to consideration of item 11.1 of the agenda at 5.16 pm

11. OTHER REPORTS

11.1 INTERNAL AUDIT SERVICES PROCUREMENT

Michael Chesworth discussed the intended procurement process for Council's internal audit services.

12. NEXT MEETING

Thursday 13 December 2018 at 3 pm in the Council Chamber at Yea.

There being no further items of Business, the Chairperson declared the meeting closed at 5.29 pm.

CONFIRMED THIS

CHAIRPERSON

SUBJECT TO CONFIRMATION