



- ANNUAL FINANCIAL REPORT
- PERFORMANCE STATEMENT

For the Year Ended 30 June 2018





ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2018



Hepburn Shire Council Financial Report Table of Contents

FINANCIAL REPORT		Page
Certification of the Financial Statements		1
Victorian Auditor-General's Office Report		2
 Financial Statements		
Comprehensive Income Statement		4
Balance Sheet		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Statement of Capital Works		8
 Overview		 9
 Notes to Financial Statements		
Note 1	Performance against budget	10
	1.1. Income and expenditure	10
	1.2. Capital works	11
Note 2	Funding for the delivery of our services	12
	2.1. Rates and charges	12
	2.2. Statutory fees and fines	12
	2.3. User fees	12
	2.4. Funding from other levels of government	13
	2.5. Contributions	14
	2.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	14
	2.7. Other income	14
Note 3	The cost of delivering services	14
	3.1. Employee costs	14
	3.2. Materials and services	15
	3.3. Depreciation and amortisation	15
	3.4. Bad and doubtful debts	15
	3.5. Borrowing costs	15
	3.6. Other expenses	16
Note 4	Our financial position	16
	4.1. Financial assets	16
	4.2. Non-financial assets	18
	4.3. Payables	18
	4.4. Interest bearing liabilities	19
	4.5. Provisions	19
	4.6 Financing arrangements	20
	4.7 Commitments	21
Note 5	Assets we manage	21
	5.1. Non current assets classified as held for sale	21
	5.2. Property infrastructure plant and equipment	22
Note 6	People and relationships	29
	6.1. Council and key management remuneration	29
	6.2. Related party disclosure	30
Note 7	Managing uncertainties	31
	7.1. Contingent assets and liabilities	31
	7.2. Change in accounting standards	31
	7.3. Financial instruments	32
	7.4. Fair value measurement	33
	7.5. Events occurring after balance date	34
Note 8	Other matters	34
	8.1 Reserves	34
	8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	36
	8.3 Superannuation	36

Certification of the Financial Statements

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



Trafford Thompson CPA
Principal Accounting Officer
Date : 18 September 2018
Trentham

In our opinion the accompanying financial statements present fairly the financial transactions of <Name> 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.



Don Henderson
Councillor
Date : 18 September 2018
Trentham



John Cottrell
Councillor
Date : 18 September 2018
Trentham



Evan King
Chief Executive Officer
Date : 18 September 2018
Trentham

Independent Auditor's Report

To the Councillors of Hepburn Shire Council

Opinion	<p>I have audited the financial report of Hepburn Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2018 • comprehensive income statement for the year then ended • statement of changes in equity for the year then ended • statement of cash flows for the year then ended • notes to the financial statements, including significant accounting policies • certification of the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Councillors' responsibilities for the financial report	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Tim Loughnan

as delegate for the Auditor-General of Victoria

MELBOURNE
21 September 2018

Comprehensive Income Statement For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Rates and charges	2.1	19,414,746	18,668,341
Statutory fees and fines	2.2	883,452	799,990
User fees	2.3	1,010,613	1,005,903
Grants - operating	2.4	5,873,964	16,509,043
Grants - capital	2.4	3,474,124	4,633,174
Contributions - monetary	2.5	198,684	214,697
Contributions - non monetary	2.5	100,000	237,486
Net gain on disposal of property, infrastructure, plant and equipment	2.6	39,649	47,794
Other income	2.7	1,826,100	1,650,013
Total income		32,821,332	43,766,441
Expenses			
Employee costs	3.1	12,037,225	11,308,421
Materials and services	3.2	9,609,208	19,160,628
Depreciation and amortisation	3.3	7,034,427	7,058,640
Bad and doubtful debts	3.4	6,732	151,835
Borrowing costs	3.5	245,743	169,624
Other expenses	3.6	764,780	1,328,588
Total expenses		29,698,115	39,177,736
Surplus/(deficit) for the year		3,123,217	4,588,705
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	5.2	13,682,075	2,959,462
Total comprehensive result		16,805,293	7,548,166

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

Balance Sheet
As at 30 June 2018

	Note	2018 \$	2017 \$
Assets			
Current assets			
Cash and cash equivalents	4.1	10,365,357	5,863,801
Trade and other receivables	4.1	3,002,798	8,260,122
Other financial assets	4.1	5,933,054	4,154,171
Inventories	4.2	11,922	19,471
Non-current assets classified as held for sale	5.1	545,000	545,000
Other assets	4.2	227,969	121,441
Total current assets		20,086,100	18,964,006
Non-current assets			
Property, infrastructure, plant and equipment	5.2	246,837,930	232,237,230
Intangible assets	4.2	473,224	567,567
Total non-current assets		247,311,155	232,804,798
Total assets		267,397,254	251,768,804
Liabilities			
Current liabilities			
Trade and other payables	4.3	2,147,159	2,048,361
Trust funds and deposits	4.3	1,061,176	1,049,018
Provisions	4.5	1,922,486	2,473,712
Interest-bearing liabilities	4.4	596,347	728,664
Other Liabilities	4.6	215,620	110,621
Total current liabilities		5,942,788	6,410,375
Non-current liabilities			
Provisions	4.5	444,447	524,975
Interest-bearing liabilities	4.4	4,290,213	4,901,082
Other Liabilities	4.6	80,357	98,214
Total non-current liabilities		4,815,017	5,524,271
Total liabilities		10,757,805	11,934,647
Net assets		256,639,449	239,834,157
Equity			
Accumulated surplus		149,758,760	146,226,629
Reserves	8.1	106,880,690	93,607,528
Total Equity		256,639,449	239,834,157

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

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

2018	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
		\$	\$	\$	\$
Balance at beginning of the financial year	239,834,157	146,226,629	91,248,015	2,359,513	
Surplus/(deficit) for the year	3,123,217	3,123,217	-	-	
Net asset revaluation increment/(decrement)	13,682,075	-	13,682,075	-	
Transfers to other reserves	-	794,209	-	(794,209)	
Transfers from other reserves	-	(385,295)	-	385,295	
Balance at end of the financial year	256,639,449	149,758,760	104,930,090	1,950,599	

2017	Total	Accumulated		Revaluation	Other
		\$	Surplus	Reserve	Reserves
	\$	\$	\$	\$	\$
Balance at beginning of the financial year	232,285,990	141,468,248	88,288,553	2,529,189	
Surplus/(deficit) for the year	4,588,705	4,588,705	-	-	
Net asset revaluation increment/(decrement)	2,959,462	-	2,959,462	-	
Transfers to other reserves	-	(760,700)	-	760,700	
Transfers from other reserves	-	930,376	-	(930,376)	
Balance at end of the financial year	239,834,157	146,226,629	91,248,015	2,359,513	

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

Statement of Cash Flows
For the Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$	2017 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates and charges		18,731,686	18,451,254
Statutory fees and fines		889,166	707,376
User fees		1,151,784	1,004,592
Grants - operating		11,332,798	11,339,076
Grants - capital		3,474,124	4,633,174
Contributions - monetary		198,684	214,697
Interest received		383,260	399,794
Rent received		1,369,304	1,119,697
Trust funds and deposits taken		2,205,050	2,276,416
Other receipts		274,349	339,755
Net GST refund/payment		221,593	(302,666)
Employee costs		(12,027,284)	(11,342,938)
Materials and services		(10,212,012)	(18,753,547)
Trust funds and deposits repaid		(2,239,295)	(2,269,340)
Other payments		(764,780)	(706,094)
Net cash provided by operating activities		<u>14,988,426</u>	<u>7,111,246</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.2	(7,797,256)	(13,204,106)
Proceeds from sale of property, infrastructure, plant and equipment		78,197	109,181
Payments for investments		(18,800,000)	(7,977,171)
Proceeds from sale of investments		17,021,117	13,150,000
Net cash used in investing activities		<u>(9,497,942)</u>	<u>(7,922,095)</u>
Cash flows from financing activities			
Finance costs		(245,743)	(169,624)
Proceeds from borrowings		-	3,405,000
Repayment of borrowings		(743,186)	(490,280)
Net cash provided by/(used in) financing activities		<u>(988,929)</u>	<u>2,745,096</u>
Net increase (decrease) in cash and cash equivalents		4,501,556	1,934,247
Cash and cash equivalents at the beginning of the financial year		5,863,801	3,929,554
Cash and cash equivalents at the end of the financial year		<u>10,365,357</u>	<u>5,863,801</u>
Financing arrangements	7.2		
Restrictions on cash assets	4.1		

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

Statement of Capital Works
For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Property			
Land improvements		31,317	81,271
Total land		<u>31,317</u>	<u>81,271</u>
Buildings		1,233,932	6,790,532
Building improvements		459,109	951,175
Total buildings		<u>1,693,041</u>	<u>7,741,707</u>
Total property		<u>1,724,358</u>	<u>7,822,978</u>
Plant and equipment			
Plant, machinery and equipment		646,094	413,446
Computers and telecommunications		378,203	74,900
Library books		46,690	43,181
Total plant and equipment		<u>1,070,987</u>	<u>531,526</u>
Infrastructure			
Roads		3,187,966	3,457,563
Bridges		340,715	167,708
Footpaths and cycleways		283,266	211,855
Drainage		253,232	43,218
Recreational, leisure and community facilities		297,448	262,586
Waste management		-	-
Parks, open space and streetscapes		658,015	657,536
Aerodromes		-	-
Off street car parks		-	-
Other infrastructure		65,962	16,775
Total infrastructure		<u>5,086,604</u>	<u>4,817,240</u>
Total capital works expenditure		<u>7,881,949</u>	<u>13,171,745</u>
Represented by:			
New asset expenditure		1,655,032	6,598,139
Asset renewal expenditure		5,398,923	5,153,255
Asset upgrade expenditure		827,993	1,420,350
Total capital works expenditure		<u>7,881,949</u>	<u>13,171,745</u>

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

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

OVERVIEW

Introduction

The Hepburn Shire Council was established by an Order of the Governor in Council on 19 January 1995 and is a body corporate.

The Council's main office is located at 76 Vincent Street, Daylesford 3460

Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with the Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated judgements are based on professional judgement derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS's that have significant effects on the financial statements and estimates relate to:

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

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

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of ten percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 20 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 income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Income				
Rates and charges	19,192,696	19,414,746	222,050	1
Statutory fees and fines	771,730	883,452	111,722	2
User fees	964,233	1,010,613	46,381	
Grants - operating	6,082,494	5,873,964	(208,530)	3
Grants - capital	4,003,454	3,474,124	(529,330)	4
Contributions - monetary	140,000	198,684	58,684	5
Contributions - non monetary	7,000	100,000	93,000	6
Net gain on disposal of property, infrastructure, plant and equipment	146,700	39,649	(107,051)	7
Other income	1,549,622	1,826,100	276,477	8
Total income	32,857,929	32,821,332	(36,597)	
Expenses				
Employee costs	11,905,338	12,037,225	(131,887)	9
Materials and services	9,520,690	9,609,208	(88,518)	
Depreciation and amortisation	6,694,000	7,034,427	(340,427)	
Bad and doubtful debts	5,590	6,732	(1,142)	
Borrowing costs	243,494	245,743	(2,249)	
Other expenses	725,783	764,780	(38,997)	
Total expenses	29,094,896	29,698,115	(603,219)	
Surplus/(deficit) for the year	3,763,033	3,123,217	(639,816)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Additional supplementary rates levied and interest on rates now included in this reporting group
2	Statutory fees and fines	Additional town planning fees and infringements
3	Grants - operating	Indexation of financial assistance grant received
4	Grants - capital	Commencement of capital projects delayed, and unsuccessful grant applications
5	Contributions - monetary	Additional developer contributions received
6	Contributions - non monetary	Developer constructed road assets received
7	Net gain on disposal of property, infrastructure, plant and equipment	Five items of plant included within budget not yet sold
8	Other income	Additional rental income received
9	Employee costs	Additional expenditure on contract staffing required

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

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Property				
Land improvements	487,900	31,317	(456,583)	1
Total Land	487,900	31,317	(456,583)	
Buildings	2,090,000	1,233,932	(856,068)	2
Building improvements	1,871,000	459,109	(1,411,891)	3
Total Buildings	3,961,000	1,693,041	(2,267,959)	
Total Property	4,448,900	1,724,358	(2,724,542)	
Plant and Equipment				
Plant, machinery and equipment	973,572	646,094	(327,478)	4
Computers and telecommunications	330,400	378,203	47,803	
Library books	53,598	46,690	(6,908)	
Total Plant and Equipment	1,357,570	1,070,987	(286,583)	
Infrastructure				
Roads	4,454,400	3,187,966	(1,266,434)	5
Bridges	356,500	340,715	(15,785)	
Footpaths and cycleways	458,300	283,266	(175,034)	6
Drainage	230,000	253,232	23,232	
Recreational, leisure and community facilities	424,700	297,448	(127,252)	7
Parks, open space and streetscapes	1,045,015	658,015	(387,000)	8
Other infrastructure	50,000	65,962	15,962	9
Total Infrastructure	7,018,915	5,086,604	(1,932,311)	
Total Capital Works Expenditure	12,825,384	7,881,949	(4,943,436)	
Represented by:				
New asset expenditure	2,799,398	1,655,032	(1,144,366)	
Asset renewal expenditure	8,121,119	5,398,923	(2,722,195)	
Asset upgrade expenditure	1,904,867	827,993	(1,076,874)	
Total Capital Works Expenditure	12,825,384	7,881,949	(4,943,435)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land improvements	Creswick Landfill capping works expensed in accordance with Accounting Standards
2	Buildings	Construction not commenced on Waste Management Facility, Daylesford Pool and Trentham Child Care
3	Building improvements	Construction not commenced on Daylesford and Clunes Town Halls and toilet replacements
4	Plant, machinery and equipment	Bioenergy facility not commenced
5	Roads	East St Railway Bridge Underpass not commenced, grant funding unsuccessful for Dairy Flat Rd, two reconstruction projects incomplete
6	Footpaths and cycleways	Albert St and Fairview Estate incomplete, Domino Trail not commenced
7	Recreational, leisure and community facilities	Daylesford Soccer Clubrooms not commenced
8	Parks, open space and streetscapes	Trentham and Hepburn Streetscapes not commenced
9	Other infrastructure	Two art installations completed

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

Note 2 Funding for the delivery of our services	2018	2017
2.1 Rates and charges	\$	\$

Council uses capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its market value.

The valuation base used to calculate general rates for 2017/18 was \$4,213.156 million (2016/17 \$4,136.961 million).

General Rates	16,576,138	15,945,151
Waste management charge	1,264,011	1,159,430
Garbage and recycling charges	1,268,561	1,210,805
Supplementary rates and rate adjustments	137,127	196,779
Interest on rates and charges	152,744	140,359
Revenue in lieu of rates	16,165	15,817
Total rates and charges	<u>19,414,746</u>	<u>18,668,341</u>

The date of the latest general revaluation of land for rating purposes within the municipal district was 01/01/2018, and the valuation will be first applied in the rating year commencing 01/07/2018

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

2.2 Statutory fees and fines

Infringements and costs	117,466	188,413
Permits	85,648	69,363
Registration fees	222,726	217,551
Town planning fees	446,282	312,982
Other fees and fines	11,330	11,680
Total statutory fees and fines	<u>883,452</u>	<u>799,990</u>

Statutory fees and fines (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

2.3 User fees

Aged and health services	308,252	334,648
Aquatic centre fees	61,585	57,971
Building services	218,009	211,412
Facility hire	21,700	22,729
Photocopier usage	15,876	14,409
Visitor information centre memberships	2,068	18,892
Waste management services	292,801	252,913
Other fees and charges	90,321	92,928
Total user fees	<u>1,010,613</u>	<u>1,005,903</u>

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

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

	2018 \$	2017 \$
2.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	7,130,043	9,176,108
State funded grants	2,218,044	11,966,109
Total grants received	<u>9,348,088</u>	<u>21,142,217</u>
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants - VGC	3,180,896	4,395,156
Aged care	1,066,858	1,055,248
Community health	29,365	42,040
Recurrent - State Government		
Aged care	169,873	254,390
Libraries	157,809	154,761
Maternal and child health	142,575	132,550
School crossing supervisors	30,475	20,367
Youth	11,745	11,745
Other	60,926	51,512
Total recurrent operating grants	<u>4,850,522</u>	<u>6,117,770</u>
Non-recurrent - Commonwealth Government		
Natural disaster financial assistance	354,622	9,601,790
Non-recurrent - State Government		
Commerce and tourism	440,000	321,950
Emergency management	120,000	120,000
Family and children	-	5,000
Recreation	6,025	23,000
Transport	28,500	28,500
Waste and environment	44,295	280,005
Other	30,000	11,028
Total non-recurrent operating grants	<u>1,023,442</u>	<u>10,391,273</u>
Total operating grants	<u>5,873,964</u>	<u>16,509,043</u>
(b) Capital Grants		
Recurrent - Commonwealth Government		
Local road funding - VGC	1,454,847	2,133,049
Roads to recovery	1,398,077	1,415,615
Total recurrent capital grants	2,852,924	3,548,664
Non-recurrent - Commonwealth Government		
Roads	-	135,000
Non-recurrent - State Government		
Buildings	155,000	120,000
Roads	280,000	45,000
Recreational, leisure and community facilities	186,200	784,510
Total non-recurrent capital grants	<u>621,200</u>	<u>1,084,510</u>
Total capital grants	<u>3,474,124</u>	<u>4,633,174</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	3,396,517	1,347,852
Received during the financial year and remained unspent at balance date	2,899,639	2,741,750
Received in prior years and spent during the financial year	2,670,627	(693,085)
Balance at year end	<u>3,625,529</u>	<u>3,396,517</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.

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

2.5 Contributions	2018 \$	2017 \$
Monetary	198,684	214,697
Non-monetary	100,000	237,486
Total contributions	298,684	452,183
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Buildings	-	229,636
Roads	100,000	-
Recreational, leisure and community facilities	-	7,850
Total non-monetary contributions	100,000	237,486

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

2.6 Net gain on disposal of property, infrastructure, plant and equipment

Proceeds of sale	78,197	109,181
Written down value of assets disposed	(38,548)	(36,833)
Impairment of assets	-	(24,555)
Total net gain on disposal of property, infrastructure, plant and equipment	39,649	47,794

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

2.7 Other income

Interest	269,589	238,892
Reimbursements	178,867	236,815
Rental income	1,282,163	1,071,365
Sale of materials	65,270	74,092
Other	30,211	28,849
Total other income	1,826,100	1,650,013

Interest is recognised as it is earned.

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

Note 3 The cost of delivering services

3.1 Employee costs

Wages and salaries	9,391,641	9,272,125
WorkCover	281,945	229,367
Superannuation	854,317	876,628
Fringe benefits tax	72,743	62,303
Casual Staff	1,436,580	867,997
Total employee costs	12,037,225	11,308,421

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	49,083	65,626
	<u>49,083</u>	<u>65,626</u>

Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	459,109	465,160
Employer contributions - other funds	346,125	345,841
	<u>805,234</u>	<u>811,001</u>

Employer contributions payable at reporting date.

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

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

3.2 Materials and services	2018	2017
	\$	\$
Building maintenance	249,277	60,938
Consultants	819,667	1,148,760
Contract payments +	4,311,526	13,873,865
Information technology	255,642	283,545
Insurance	385,765	330,453
Materials and services	2,598,919	2,438,923
Office administration	356,666	454,400
Utilities	631,748	569,745
Total materials and services	<u>9,609,208</u>	<u>19,160,628</u>

Note + Contract payments in 2017 included \$9.8 million expended to restore flood damaged road infrastructure. These works were to restore Council's assets to pre existing conditions and were therefore been expensed rather than being capitalised.

3.3 Depreciation and amortisation

Property	1,440,124	1,398,662
Plant and equipment	788,783	813,008
Infrastructure	4,711,177	4,752,626
Total depreciation	<u>6,940,084</u>	<u>6,964,297</u>
Intangible assets	94,343	94,343
Total depreciation and amortisation	<u>7,034,427</u>	<u>7,058,640</u>

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

3.4 Bad and doubtful debts

Compliance debtors	5,311	146,581
Other debtors	1,421	5,254
Total bad and doubtful debts	<u>6,732</u>	<u>151,835</u>

Movement in provisions for doubtful debts

Balance at the beginning of the year	(51,782)	(39,757)
New Provisions recognised during the year	(1,176)	(51,782)
Amounts already provided for and written off as uncollectible	44,961	39,757
Amounts provided for but recovered during the year	6,821	-
Balance at end of year	<u>(1,176)</u>	<u>(51,782)</u>

Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

3.5 Borrowing costs

Interest - Borrowings	245,743	169,624
Total borrowing costs	<u>245,743</u>	<u>169,624</u>

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

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

3.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquitals	49,200	52,500
Auditors' remuneration - Internal	25,085	28,555
Councillors' allowances	204,223	169,874
Community Grants	332,613	291,179
Council pension rebate	38,220	38,735
Tourism board membership	80,000	81,608
Landfill restoration provision expense	-	622,494
Others	35,439	43,642
Total other expenses	764,780	1,328,588

Note 4 Our financial position

4.1 Financial assets

(a) Cash and cash equivalents

	2018	2017
	\$	\$
Cash on hand	5,414	6,430
Cash at bank	5,216,509	2,880,317
Term deposits	5,143,435	2,977,054
Total cash and cash equivalents	10,365,357	5,863,801

(b) Other financial assets

Term deposits - current	5,933,054	4,154,171
Total other financial assets	5,933,054	4,154,171
Total financial assets	16,298,411	10,017,972

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

- Trust funds and deposits (Note 4.3)	1,061,176	1,049,018
- Statutory reserves (Note 8.1)	893,271	830,953
Total restricted funds	1,954,447	1,879,971
Total unrestricted cash and cash equivalents	8,410,910	3,983,832

Intended allocations

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

- Cash held to fund carried forward capital works	4,613,059	3,004,000
- Unexpended grants received	4,083,090	3,396,517
- Discretionary reserves (Note 8.1)	1,057,328	1,528,560
Total funds subject to intended allocations	9,753,477	7,929,077

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

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

In addition to cash and cash equivalents, other financial assets are available to meet Council's liabilities and intended allocations as and when required due to their scheduled maturity dates.

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

	2018	2017
	\$	\$
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	2,117,189	1,586,872
Fire services levy debtor	248,960	202,557
Infringement debtors	74,893	89,286
Provision for doubtful debts - infringements	-	(51,782)
GST receivable	235,172	456,765
<i>Non statutory receivables</i>		
Loans and advances to community organisations	-	-
Other debtors - rental	10,744	2,291
Other debtors - government grants	189,070	5,869,277
Other debtors - miscellaneous	123,117	102,151
Provision for doubtful debts - other debtors	(1,176)	-
Other	4,831	2,703
Total current trade and other receivables	<u>3,002,798</u>	<u>8,260,122</u>
Non-current		
Total non-current trade and other receivables	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>3,002,798</u>	<u>8,260,122</u>

Short term receivables are carried at invoice amount. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

(a) Ageing of Receivables

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

Current (not yet due)	191,704	5,922,126
Past due by up to 30 days	6,089	15,961
Past due between 31 and 180 days	29,269	4,762
Past due between 181 and 365 days	62,339	29,386
Past due by more than 1 year	37,183	4,189
Total trade & other receivables	<u>326,584</u>	<u>5,976,423</u>

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

4.2 Non-financial assets	2018	2017
(a) Inventories	\$	\$
Inventories held for distribution	11,922	19,471
Total inventories	11,922	19,471
Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.		
(b) Other assets		
Prepayments	172,382	104,927
Accrued income	55,587	16,514
Total other assets	227,969	121,441
(c) Intangible assets		
Software	473,224	567,567
Total intangible assets	473,224	567,567
	Software	Total
Gross carrying amount	\$	\$
Balance at 1 July 2017	992,301	959,940
Other Additions	-	32,361
Balance at 1 July 2018	992,301	992,301
Accumulated amortisation and impairment		
Balance at 1 July 2017	424,734	330,391
Amortisation expense	94,343	94,343
Balance at 1 July 2018	519,077	424,734
Net book value at 30 June 2017	567,567	629,550
Net book value at 30 June 2018	473,224	567,567

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

4.3 Payables	2018	2017
(a) Trade and other payables	\$	\$
Trade payables	1,202,598	1,313,234
Accrued expenses	944,561	735,127
Total trade and other payables	2,147,159	2,048,361
(b) Trust funds and deposits		
Refundable deposits	64,208	93,939
Fire services levy	251,985	211,746
Retention amounts	3,750	4,972
Other refundable deposits	741,233	738,361
Total trust funds and deposits	1,061,176	1,049,018

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited. Trust funds that are forfeited, resulting in council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

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

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

	2018 \$	2017 \$
4.4 Interest-bearing liabilities		
Current		
Borrowings - secured	596,347	728,664
	596,347	728,664
Non-current		
Borrowings - secured	4,290,213	4,901,082
	4,290,213	4,901,082
Total	4,886,560	5,629,746
Borrowings are secured by a deed of charge over council rates		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	596,347	728,664
Later than one year and not later than five years	2,853,090	3,115,419
Later than five years	1,437,123	1,785,663
	4,886,560	5,629,746

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

4.5 Provisions

	Employee \$	Landfill restoration \$	Other \$	Total \$
2018				
Balance at beginning of the financial year	2,014,973	956,714	27,000	2,998,687
Additional provisions	880,144		-	880,144
Amounts used	(866,126)	(641,695)	-	(1,507,820)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(4,077)	-	-	(4,077)
Balance at the end of the financial year	2,024,914	315,019	27,000	2,366,933
2017				
Balance at beginning of the financial year	2,049,490	354,440	27,000	2,430,930
Additional provisions	848,479	622,494	-	1,470,973
Amounts used	(880,125)	(20,220)	-	(900,345)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(2,871)	-	-	(2,871)
Balance at the end of the financial year	2,014,973	956,714	27,000	2,998,687

	2018 \$	2017 \$
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	675,722	663,784
Long service leave	157,487	141,662
Other	34,471	43,173
	867,680	848,619
Current provisions expected to be wholly settled after 12 months		
Annual leave	8,712	28,282
Long service leave	1,024,854	954,097
	1,033,567	982,379
Total current employee provisions	1,901,247	1,830,998

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

Non-current		
Long service leave	123,667	183,975
Annual leave	-	-
Total non-current employee provisions	<u>123,667</u>	<u>183,975</u>
Aggregate carrying amount of employee provisions:		
Current	1,901,247	1,830,998
Non-current	123,667	183,975
Total aggregate carrying amount of employee provisions	<u>2,024,914</u>	<u>2,014,973</u>

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

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulated sick leave expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits in respect of employee services up to the reporting date, classified as current liabilities and measured at their nominal values.

Liabilities that are not expected to be wholly settled within 12 months of the reporting date are recognised in the provision for employee benefits as current liabilities, measured at the present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits. LSL is measured at present value. Unconditional LSL is disclosed as a current liability. Conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability.

Key assumptions:

- discount rate	2.36%	2.27%
- index rate	1.65%	1.65%
- inflation rate	2.10%	2.50%
- settlement rate	7 years	7 years

	2018	2017
(b) Landfill restoration	\$	\$
Current	21,239	642,714
Non-current	293,780	314,000
	<u>315,019</u>	<u>956,714</u>

The provision for landfill restoration has been calculated based on the present value of the expected cost of monitoring to be undertaken. The expected cost of monitoring has been estimated based on current understanding of monitoring required. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of monitoring and any future work required by the EPA and related costs

Key assumptions:

- discount rate	2.36%	2.27%
- index rate	2.10%	2.50%
- inflation rate	2.10%	2.50%
- settlement rate	Annually	Annually
- estimated cost to rehabilitate	Nil	Nil

(c) Other provisions

Current	-	-
Non-current	27,000	27,000
	<u>27,000</u>	<u>27,000</u>

4.6 Financing arrangements

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

Bank overdraft	1,000,000	1,000,000
Credit card facilities	40,000	40,000
Total facilities	<u>1,040,000</u>	<u>1,040,000</u>
Used facilities	10,881	7,941
Unused facilities	<u>1,010,881</u>	<u>1,032,059</u>

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

4.7 Commitments

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

2018	Not later	Later than 1	Later than 2	Later than 5	Total
	than 1 year	year and not later than 2 years	years and not later than 5 years	years	
	\$	\$	\$	\$	\$
Operating					
Waste and recycling	1,003,000	-	-	-	1,003,000
Transfer stations	379,250	-	-	-	379,250
Maternal and child health	121,708	-	-	-	121,708
Library services	169,797	-	-	-	169,797
Cleaning contract	225,000	-	-	-	225,000
Swimming pools	165,000	-	-	-	165,000
Other	208,407	54,107	5,714	-	268,228
Total	2,272,162	54,107	5,714	-	2,331,983
Capital					
Buildings	571,448	-	-	-	571,448
Plant and Equipment	153,359	-	-	-	153,359
Infrastructure	2,013,825	880,000	-	-	2,893,825
Total	2,738,632	1,760,000	-	-	4,084,253
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					
Waste and recycling	1,606,400	1,642,600	-	-	3,249,000
Transfer stations	377,000	377,000	-	-	754,000
Maternal and child health	362,963	-	-	-	362,963
Property revaluations	153,582	-	-	-	153,582
Library services	159,577	-	-	-	159,577
Cleaning contract	360,000	-	-	-	360,000
Swimming pools	136,000	-	-	-	136,000
Other	207,623	102,357	8,571	-	318,551
Total	3,363,145	2,121,957	8,571	-	5,493,673
Capital					
Buildings	-	-	-	-	-
Infrastructure	948,285	800,000	800,000	-	2,548,285
Other	-	-	-	-	-
Total	948,285	800,000	800,000	-	2,548,285

Note 5 Assets we manage

5.1 Non current assets classified as held for sale

Cost of acquisition	545,000	545,000
Total non current assets classified as held for sale	545,000	545,000

Capitalisation rate used in the allocation Nil Nil

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

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

5.2 Property, infrastructure, plant and equipment
Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017 \$	Additions \$	Contribution \$	Revaluation \$	Depreciation \$	Disposal \$	Write-off \$	Transfers \$	At Fair Value 30 June 2018 \$
Property	97,584,816	258,412	-	11,687,101	(1,440,124)	-	-	268,310	108,358,515
Plant and equipment	3,330,054	944,564	-	-	(788,783)	(38,548)	-	-	3,447,288
Infrastructure	128,382,260	4,539,917	100,000	1,994,930	(4,711,177)	-	-	1,879,457	132,185,387
Work in progress	2,940,310	2,138,905	-	-	-	-	(84,708)	(2,147,767)	2,846,741
	232,237,440	7,881,799	100,000	13,682,031	(6,940,084)	(38,548)	(84,708)	-	246,837,930

Summary of Work in Progress

	Opening WIP \$	Additions \$	Write-off \$	Transfers \$	Closing WIP \$
Property	770,795	1,476,430	(82,293)	(268,310)	1,896,621
Plant and equipment	5,060	126,423	-	-	131,483
Infrastructure	2,164,455	536,053	(2,414)	(1,879,457)	818,637
Total	2,940,310	2,138,905	(84,708)	(2,147,767)	2,846,741

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

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$
Land & land improvements		
land	-	1,000
land improvements	20 - 100 years	1,000
Buildings		
buildings	25 - 150 years	1,000
building and leasehold improvements	25 - 150 years	1,000
Plant and Equipment		
plant, machinery and equipment	3 - 10 years	1,000
others	3 - 10 years	1,000
Infrastructure		
roads - pavements, substructure, formation and earthworks	10 - 80 years	1,000
roads - kerb, channel and minor culverts and other	10 - 65 years	1,000
bridges - deck and substructure	50 - 100 years	1,000
others	5 - 80 years	1,000
Intangible assets	10 years	1,000

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

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Buildings - specialised	Buildings - non specialised	Building improvements	Total Buildings	Work In Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	18,671,727	12,703,000	12,389,020	43,763,747	103,817,976	8,432,900	-	112,250,876	770,795	156,785,418
Accumulated depreciation at 1 July 2017	-	-	(2,991,742)	(2,991,742)	(51,746,026)	(3,692,039)	-	(55,438,065)	-	(58,429,807)
	18,671,727	12,703,000	9,397,278	40,772,005	52,071,950	4,740,863	-	56,812,811	770,795	98,355,611
Movements in fair value										
Additions	-	-	13,519	13,519	244,893	-	-	244,893	1,476,430	1,734,842
Contributions	-	-	-	-	-	-	-	-	-	-
Revaluation	3,083,600	4,237,000	-	7,320,600	9,782,096	2,255,900	-	12,037,996	-	19,358,596
Disposal	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	(82,293)	(82,293)
Transfers	-	-	61,315	61,315	(6,138,005)	6,345,000	-	206,995	(288,310)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	3,083,600	4,237,000	74,834	7,395,434	3,888,985	8,600,900	-	12,489,885	1,125,826	21,011,144
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	(484,798)	(484,798)	(793,899)	(161,427)	-	(955,326)	-	(1,440,124)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(4,881,087)	(2,790,408)	-	(7,671,495)	-	(7,671,495)
Transfers	-	-	(484,798)	(484,798)	(5,674,986)	(2,951,835)	-	(8,626,821)	-	(9,111,619)
	21,755,327	16,940,000	12,463,853	51,159,180	107,706,960	17,033,800	-	124,740,761	1,896,621	177,796,562
Accumulated depreciation at 30 June 2018	-	-	(3,476,540)	(3,476,540)	(57,421,012)	(6,643,874)	-	(64,064,886)	-	(67,541,426)
	21,755,327	16,940,000	8,987,313	47,682,640	50,285,948	10,389,927	-	60,675,875	1,896,621	110,255,136

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

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures and fittings and furniture	Computers and telecomms	Library books	Work In Progress	Total plant and equipment
	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	6,225,580	828,271	404,144	616,998	5,060	8,080,053
Accumulated depreciation at 1 July 2017	(3,373,269)	(707,519)	(178,853)	(485,298)	-	(4,744,939)
	2,852,311	120,752	225,291	131,700	5,060	3,335,114
Movements in fair value						
Additions	564,189	-	333,685	46,690	126,423	1,070,987
Contributions	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal	(325,037)	-	-	-	-	(325,037)
Write-off	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
	239,153	-	333,685	46,690	126,423	619,528
Movements in accumulated depreciation						
Depreciation and amortisation	(635,881)	(30,766)	(59,805)	(62,331)	-	(788,783)
Accumulated depreciation of disposals	286,489	-	-	-	-	286,489
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	(349,392)	(30,766)	(59,805)	(62,331)	-	(502,294)
At fair value 30 June 2018	6,464,733	828,271	737,829	663,688	131,483	8,826,004
Accumulated depreciation at 30 June 2018	(3,722,661)	(738,285)	(238,658)	(547,628)	-	(5,247,233)
	2,742,072	89,986	499,171	116,059	131,483	3,578,771

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

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Parks open spaces and streetscapes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	160,902,213	23,294,028	7,118,607	21,339,090	1,157,410	319,090	44,358	5,964,971	2,164,455	222,304,223
Accumulated depreciation at 1 July 2017	(66,453,917)	(10,737,085)	(3,464,075)	(8,770,485)	(586,157)	-	-	(1,745,788)	-	(91,757,508)
	94,448,296	12,556,941	3,654,530	12,568,605	571,253	319,090	44,358	4,219,183	2,164,455	130,546,715
Movements in fair value										
Additions	3,026,165	224,436	162,692	241,513	58,507	255,304	-	571,301	536,053	5,075,970
Contributions	100,000	-	-	-	-	-	-	-	-	100,000
Revaluation	-	5,203,604	-	-	-	-	-	-	-	5,203,604
Disposal	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	(2,414)	(2,414)
Transfers	261,711	54,808	6,956	43,218	5,000	812,754	-	695,009	(1,879,457)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	3,387,876	5,482,848	1,69,649	284,731	63,507	1,068,058	-	1,266,310	(1,345,819)	10,377,160
Movements in accumulated depreciation										
Depreciation and amortisation	(3,862,444)	(205,158)	(142,969)	(292,180)	(43,753)	-	-	(164,673)	-	(4,711,177)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Revaluation	-	(3,208,675)	-	-	-	-	-	-	-	(3,208,675)
Transfers	-	-	-	-	-	-	-	-	-	-
	(3,862,444)	(3,413,833)	(142,969)	(292,180)	(43,753)	-	-	(164,673)	-	(7,919,852)
At fair value 30 June 2018	164,290,089	28,776,875	7,288,255	21,623,821	1,220,917	1,387,148	44,358	7,231,281	818,637	232,681,383
Accumulated depreciation at 30 June 2018	(70,316,361)	(14,150,918)	(3,607,044)	(9,062,665)	(629,910)	-	-	(1,910,462)	-	(99,677,359)
	93,973,729	14,625,957	3,681,211	12,561,156	591,008	1,387,148	44,358	5,320,820	818,637	133,004,024

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

Acquisition

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

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

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

Land under roads

Council recognises land under roads acquired after 30 June 2008 at fair value. Council does not recognise land under roads that it controlled prior to that period in this financial report.

Depreciation and amortisation

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

Where assets have separate identifiable components that are subject to regular replacement, these components are assigned distinct useful lives and residual values and a separate depreciation rate is determined for each component.

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life.

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

Depreciation periods used are listed below and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Vincent John Bourke, AAPI, of Rating Valuation Services. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

The date of the current valuation is detailed in the following table.

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	-	16,940,000	-	Jun-18
Specialised land	-	-	21,755,327	Jun-18
Land Improvements	-	-	8,987,313	Jun-18
Buildings	-	10,389,926	50,285,949	Jun-18
Total	-	27,329,926	81,028,589	

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

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with an in-house valuation undertaken by Mahmud Kaiser, Asset Coordinator of Hepburn Shire Council.

The date of the current valuation is detailed in the following table. Movement in infrastructure assets has been assessed against the ABS Road and Bridges Construction Index Victoria (3101).

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

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

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	93,973,729	Jun-17
Bridges	-	-	14,625,957	Jan-18
Footpaths and cycleways	-	-	3,681,211	Jun-17
Drainage	-	-	12,561,156	Jun-17
Recreational, leisure and community facilities	-	-	591,008	-
Parks, open space and streetscapes	-	-	1,387,148	-
Other infrastructure	-	-	5,365,178	-
Total	-	-	132,185,387	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$1,029 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$10 to \$13,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 15 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018	2017
	\$	\$
Reconciliation of specialised land		
Land under roads	86,327	86,327
Parks and reserves	21,669,000	18,585,400
Total specialised land	21,755,327	18,671,727

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

	2018 No.	2017 No.
Note 6 People and relationships		
6.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Hepburn Shire Council is the parent entity.		
(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 Sebastian Klein (Mayor 1/7/2017 to 8/11/2017)		
Councillor John Cottrell (Mayor 9/11/2017 to 30/06/2018)		
Councillor Don Henderson		
Councillor Fiona Robson		
Councillor Greg May		
Councillor Kate Redwood		
Councillor Neil Newitt		
Total Number of Councillors	7	9
Chief Executive Officer and other Key Management Personnel		
Aaron van Egmond, Chief Executive Officer (to 1/06/2018)		
Kathleen Brannigan, General Manager Community Services (to 5/02/2018)		
Grant Schuster, General Manager Corporate Services (to 5/02/2018) & General Manager Community and Corporate Services (from 5/02/2018)		
Bruce Lucas, General Manager Infrastructure		
Total Other Key Management Personnel	4	4
Total Key Management Personnel	<u>11</u>	<u>13</u>
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
Short-term benefits	813,475	846,855
Long-term benefits	53,355	57,127
Other long-term benefits	-	-
Termination benefits	-	-
Total	<u>866,830</u>	<u>903,982</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
\$1 - \$9,999	-	2
\$10,000 - \$19,999	-	2
\$20,000 - \$29,999	5	3
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$90,000 - \$99,999	1	-
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	-	1
\$160,000 - \$169,999	2	1
\$240,000-249,999	1	1
	<u>11</u>	<u>13</u>
(d) Senior Officer Remuneration		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$145,000		
The number of Senior Officers are shown below in their relevant income bands:		
	2018	2017
Income Range:	No.	No.
< \$145,000 - \$149,999	-	1
	<u>-</u>	<u>1</u>
Total Remuneration for the reporting year for Senior Officers included above,	-	118,427

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

	2018	2017
	\$	\$
6.2 Related party disclosure		
(a) Transactions with related parties		
During the period Council entered into the following transactions with related parties.	<i>Nil</i>	<i>Nil</i>
(b) Outstanding balances with related parties		
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties	<i>Nil</i>	<i>Nil</i>
(c) Loans to/from related parties		
The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows:	<i>Nil</i>	<i>Nil</i>
(d) Commitments to/from related parties		
The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows:	<i>Nil</i>	<i>Nil</i>

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

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

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

	2018	2017
	\$	\$
Not later than one year	1,112,871	1,079,459
Later than one year and not later than five years	4,316,088	4,105,001
Later than five years	7,788,409	7,720,409
	<u>13,217,368</u>	<u>12,904,869</u>

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 are \$36,268.

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

(c) Guarantees for loans to other entities

Nil

7.2 Change in accounting standards

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

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

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

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

The key changes include the simplified requirements for the classification and measurement of financial assets, a new

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.

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

Leases (AASB 16) (applies 2019/20)

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

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

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

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

(c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

- council have a policy for establishing credit limits for the entities Council deal with;
- council may require collateral where appropriate; and
- council only invest surplus funds with financial institutions which have a recognised credit rating specified in council's Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is secured by a charge over

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

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

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

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

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of council's operational liquidity requirements it will not have sufficient funds to settle a transaction when required or will be forced to sell a financial asset at below value or may be unable to settle or recover a financial asset.

To help reduce these risks Council:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 7.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 4.4.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value

(e) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, Council believes the following movements are 'reasonably possible' over the next 12

- A parallel shift of + 2.0% and -0.5% in market interest rates (AUD) from year-end rates of 1.50%.

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

7.4 Fair value measurement

Fair value hierarchy

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

Council measures certain assets and liabilities at fair value where required or permitted by Australian Accounting Standards. AASB 13 Fair value measurement, aims to improve consistency and reduce complexity by providing a definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique.

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

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

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

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

For the purpose of fair value disclosures, Council has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Council determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date. At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from two to five years. The valuation is performed either by experienced council officers or independent experts.

Where the assets are revalued, the revaluation increments are credited directly to the asset revaluation reserve except to the extent that an increment reverses a prior year decrement for that class of asset that had been recognised as an expense in which case the increment is recognised as revenue up to the amount of the expense. Revaluation decrements are recognised as an expense except where prior increments are included in the asset revaluation reserve for that class of asset in which case the decrement is taken to the reserve to the extent of the remaining increments. Within the same class of assets, revaluation increments and decrements within the year are offset.

Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

7.5 Events occurring after balance date

No matters have occurred after balance date that require disclosure in the financial report
[If there are subsequent events which require disclosure, provide details]

Note 8 Other matters

	Balance at beginning of reporting period \$	Increment (decrement) \$	Share of increment on revaluation of assets by an associate \$	Balance at end of reporting period \$
8.1 Reserves				
(a) Asset revaluation reserves				
2018				
Property				
Land & land improvements	21,855,237	7,320,600	-	29,175,837
Buildings	25,975,969	4,366,546	-	30,342,515
	47,831,206	11,687,146	-	59,518,352
Infrastructure				
Roads	35,355,236		-	35,355,236
Other infrastructure	8,061,573	1,994,930	-	10,056,502
	43,416,808	1,994,930	-	45,411,738
Total asset revaluation reserves	91,248,015	13,682,075	-	104,930,090
2017				
Property				
Land & land improvements	22,045,237	(190,000)	-	21,855,237
Buildings	25,975,969	-	-	25,975,969
	48,021,206	(190,000)	-	47,831,206
Infrastructure				
Roads	32,205,774	3,149,462	-	35,355,236
Other infrastructure	8,061,573	-	-	8,061,573
	40,267,347	3,149,462	-	43,416,808
Total asset revaluation reserves	88,288,553	2,959,462	-	91,248,015

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

	Balance at beginning of reporting period \$	Transfer from accumulated surplus \$	Transfer to accumulated surplus \$	Balance at end of reporting period \$
(b) Other reserves				
2018				
Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Debt management reserve	992,000	200,000	-	1,192,000
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	224,660	14,795	-	239,455
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	585,043	170,500	(122,977)	632,566
Smeaton hill pit reserve	74,419	-	-	74,419
Waste management reserve	407,659	-	(671,232)	(263,573)
Total Other reserves	2,359,513	385,295	(794,209)	1,950,599
2017				
Car parking reserve *	21,250	-	-	21,250
Clunes caravan park reserve	6,710	-	-	6,710
Debt management reserve	850,000	592,000	(450,000)	992,000
Heritage advisory fund	20,000	-	-	20,000
Mineral springs financial reserve *	373,766	-	(149,106)	224,660
Mt Beckworth pit reserve	27,772	-	-	27,772
Resort and recreation reserve *	740,512	168,700	(324,169)	585,043
Smeaton hill pit reserve	74,419	-	-	74,419
Waste management reserve	414,760	-	(7,101)	407,659
Total Other reserves	2,529,189	760,700	(930,376)	2,359,513

* Indicates statutory reserve

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

	2018	2017
	\$	\$
8.2 Reconciliation of cash flows from operating activities to surplus		
Surplus/(deficit) for the year	3,123,217	4,588,705
Depreciation/amortisation	7,034,427	7,058,640
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(39,649)	(47,794)
Impairment losses	-	-
Interest Expense	245,743	169,624
Contributions - Non-monetary assets	(100,000)	(237,486)
Other	-	-
<i>Change in assets and liabilities:</i>	-	-
(Increase)/decrease in trade and other receivables	5,257,324	(5,439,417)
(Increase)/decrease in prepayments	(67,455)	(33,621)
Increase/(decrease) in accrued income	(39,073)	20,543
Increase/(decrease) in trade and other payables	98,798	462,781
Increase/(decrease) in other liabilities	87,142	(12,008)
(Increase)/decrease in inventories	7,548	(1,859)
Increase/(decrease) in provisions	(631,754)	567,756
Increase/(decrease) in trust funds and deposits	12,158	15,382
Net cash provided by/(used in) operating activities	<u>14,988,426</u>	<u>7,111,246</u>

8.3 Superannuation

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

Accumulation

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

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan.

There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary.

As at 30 June 2017, a full triennial actuarial investigation was completed. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 103.1%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

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 June 2018 was 106.0%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2017 actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Employer contributions

Regular contributions

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2018, this rate was 9.5% of members' salaries (9.5% in 2016/2017). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

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

2017 triennial actuarial investigation surplus amounts

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit

2018 interim actuarial investigation

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2018. It is anticipated that this actuarial investigation will be completed in October 2018.



PERFORMANCE STATEMENT

For the Year Ended 30 June 2018



Certification of the performance statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.



Trafford Thompson CPA
Principal Accounting Officer

Date : 18 September 2018

In our opinion, the accompanying performance statement of Hepburn Shire Council for the year ended 30 June 2018 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify this performance statement in its final form.



Don Henderson
Councillor

Date : 18 September 2018



John Cottrell
Councillor

Date : 18 September 2018



Evan King
Chief Executive Officer

Date : 18 September 2018

Independent Auditor's Report

To the Councillors of Hepburn Shire Council

Opinion I have audited the accompanying performance statement of Hepburn Shire Council (the council) which comprises the:

- description of municipality for the year ended 30 June 2018
- sustainable capacity indicators for the year ended 30 June 2018
- service performance indicators for the year ended 30 June 2018
- financial performance indicators for the year ended 30 June 2018
- other information and
- the certification of the performance statement.

In my opinion, the performance statement of Hepburn Shire Council in respect of the year ended 30 June 2018 presents fairly, in all material respects, in accordance with the performance reporting requirements of Part 6 of the *Local Government Act 1989*.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Standards on Assurance Engagements. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the performance statement* section of my report.

My independence is established by the *Constitution Act 1975*. I and my staff are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the performance statement in Victoria and have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Councillors' responsibilities for the performance statement The Councillors are responsible for the preparation and fair presentation of the performance statement in accordance with the performance reporting requirements of the *Local Government Act 1989* and for such internal control as the Councillors determines is necessary to enable the preparation and fair presentation of the statement of performance that is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the performance statement As required by the *Audit Act 1994*, my responsibility is to express an opinion on the performance statement based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the performance statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Standards on Assurance Engagements will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of this performance statement.

As part of an audit in accordance with the Australian Standards on Assurance Engagements, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of performance statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the overall presentation, structure and content of the performance statement, including the disclosures, and whether performance statement represents the underlying events and results in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
21 September 2018



Tim Loughnan
as delegate for the Auditor-General of Victoria

Description of Municipality

Hepburn Shire was created in January 1995 by the amalgamation of the former Shires of Creswick, Daylesford and Glenlyon, the Clunes portion of the Shire of Talbot and Clunes and the Trentham portion of the Shire of Kyneton.

Hepburn Shire is located in the Central Highlands region of Victoria, about 110 kilometres north-west of Melbourne. It is bounded by Central Goldfields and Mount Alexander Shires in the north, Macedon Ranges Shire in the east, Moorabool Shire in the south, and the City of Ballarat and Pyrenees Shire in the west

Hepburn Shire is a predominantly rural area, with many townships, villages and rural-residential areas. The main townships are Daylesford, Hepburn Springs, Creswick, Clunes and Trentham. The shire encompasses a total land area of about 1,470 square kilometres. rural land is used largely for agriculture (particularly sheep and cattle grazing and potato and crop growing) and forestry, with some viticulture. Tourism is important to the region, with the Shire containing 80% of Australia's mineral spring reserves.

Hepburn is named after Captain John Hepburn, an overlander and pastoralist who founded the rural town of Smeaton and also established the Smeaton Hill Run on 15 April 1838.

The original inhabitants of the Hepburn area were the Jaara (Dja Dja Wurrung) Aboriginal people. European settlement dates from the late 1830's, with land used mainly for grazing and crop growing. Gold was first discovered in the area in 1851, prompting the establishment of many townships and rapid growth. When gold supplies waned and many mines were closed, some population loss was experienced in the region. land was then used mainly for timber milling and grazing. The townships of Daylesford and Hepburn Springs benefited from tourism during the late 1800s and early 1900's', due to the mineral springs and spa resorts.

Gradual growth took place during the 1970's and 1980's, due largely to resurgence in tourism and people seeking alternative lifestyles. The Shire's population increased marginally during the 1990's, rising from about 13,300 on 1991 to about 13,800 in 2001. The resident population of Hepburn Shire at 30 June 2016 was 15,560¹.

¹ Source: Australian Bureau of Statistics - Population Estimates by Local Government Area (ASGS 2016) 2006 to 2016 32180ds0002_2006-16

PERFORMANCE STATEMENT

Sustainable Capacity Indicators

	<i>Indicator /measure</i>	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations and Comments
Population						
C1	Expenses per head of municipal population [Total expenses / Municipal population]	\$1,814	\$1,842	\$2,518	\$1,895	Trend reflects an average increase of 1.5% per annum, excluding 2017 which was overstated due to \$10.2 million (\$658 per head) expended on flood restoration works
C2	Infrastructure per head of municipal population [Value of infrastructure / Municipal population]	\$11,837	\$12,237	\$12,305	\$12,716	Trend reflects an average increase of 1.7% per annum
C3	Population density per length of road [Municipal population / Kilometres of local roads]	10.6	10.5	11.0	10.4	No significant change
Own-source revenue						
C4	Own-source revenue per head of municipal population [Own-source revenue / Municipal population]	\$1,369	\$1,438	\$1,425	\$1,479	No significant change
Recurrent grants						
C5	Recurrent grants per head of municipal population [Recurrent grants / Municipal population]	\$621	\$407	\$621	\$466	Inconsistent prepayment of Financial Assistance Grants received have resulted in the huge variances of this indicator. 2015 reflects 150% of annual allocation, 2016 50%, 2017 150% and 2018 100%. Additional IR2R grants were also received in 2016.
Disadvantage						
C6	Relative Socio-Economic Disadvantage [Index of Relative Socio-Economic Disadvantage by decile]	4	4	4	6	Hepburn Shire now ranks in the 6th decile within Victoria as published by the Australian Bureau of Statistics following the 2016 Census

Definitions

"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 above

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

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

"population" means the resident population estimated by council

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

"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 (Catalogue Number 2033.0.55.001) of SEIFA

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

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

Service Performance Indicators

Service/indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations and Comments
<p>Aquatic Facilities Utilisation</p> <p>AF6 Utilisation of aquatic facilities</p> <p>[Number of visits to aquatic facilities / Municipal population]</p>	0.4	1.3	0.9	1.0	Pool attendance is largely weather dependant. A 12% increase in attendance was achieved.
<p>Animal Management Health and safety</p> <p>AM4 Animal management prosecutions</p> <p>[Number of successful animal management prosecutions]</p>	0	0	0	0	There were no successful or unsuccessful animal management prosecutions
<p>Food Safety Health and safety</p> <p>FS4 Critical and major non-compliance outcome notifications</p> <p>[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</p>	29%	50%	60%	100%	100% of notifications were followed up in 2017. A continual improvement in follow up of non-compliances has been shown over the last 3 years
<p>Governance Satisfaction</p> <p>G5 Satisfaction with council decisions</p> <p>[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]</p>	43	48	45	49	Increase reflects continued focus in this area

Service Performance Indicators					
Service/indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations and Comments
Home and Community Care (HACC) Participation HC6 <i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	24%	25%	Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
Participation HC7 <i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	15%	19%	Reporting Ceased 1 July 2016	Reporting Ceased 1 July 2016	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
Libraries Participation LB4 <i>Active library members</i> [Number of active library members / Municipal population] x100	25%	22%	21%	21%	No material change
Maternal and Child Health (MCH) Participation MC4 <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	83%	79%	82%	81%	No significant change.
Participation MC5 <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	88%	69%	84%	83%	No significant change. Hepburn Shire has a small Aboriginal community and individual family movements can impact this indicator. This data was provided by the Municipal Association of Victoria (MAV).

Service Performance Indicators						
	Service/indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	Material Variations and Comments
Roads						
Satisfaction						
R5	Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	43	43	37	46	Overall satisfaction improvement may be due to the high level of investment by Council and VicRoads on local roads in the past year. 99% of Council's local roads are below intervention levels.
Statutory Planning						
Decision making						
SP4	Council planning decisions upheld at VCAT [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	86%	40%	100%	33%	One decision was upheld and two decisions were set aside by VCAT in 2017/2018
Waste Collection						
Waste diversion						
WC5	Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	40%	41%	43%	43%	No material change

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
- "annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act
- "CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English
- "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 that 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 that 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
- "critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorised officer under that Act, of a deficiency that poses an immediate serious threat to public health
- "food premises" has the same meaning as in the Food Act 1984
- "HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth
- "HACC service" means home help, personal care or community respite provided under the HACC program
- "local road" means a sealed or unsealed road for which the council is the responsible road authority under the Road Management Act 2004
- "major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the Food Act 1984, or advice given to council by an authorised officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken
- "MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age
- "population" means the resident population estimated by council
- "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
- "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.

Financial Performance Indicators										
	Dimension/Indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	2019	2020	2021	2022	Material Variations and Comments
	Efficiency									
E1	Revenue level Average residential rate per residential property assessment [(Residential rate revenue / Number of residential property assessments)]	\$1,589	\$1,651	\$1,668	\$1,753	\$1,834	\$1,868	\$1,903	\$1,938	Rate increases have been capped in line with the Victorian Government's Fair Go Rates System
E2	Expenditure level Expenses per property assessment [Total expenses / Number of property assessments]	\$2,500	\$2,491	\$3,532	\$2,677	\$2,705	\$3,182	\$2,569	\$2,578	Trend reflects an average increase of 1.8% per annum, excluding 2017 which was overstated due to \$10.2 million (\$923 per property) expended on flood restoration works
E3	Workforce turnover Resignations and terminations compared to average staff [(Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	15%	15%	15%	18%	15%	15%	15%	15%	No change
	Liquidity									
L1	Working capital Current assets compared to current liabilities [(Current assets / Current liabilities) x100	279%	320%	296%	338%	228%	225%	151%	192%	Council has maintained a strong liquidity ratio. The lower forecast figures reflects no capital projects budgeted to be carried forward
L2	Unrestricted cash Unrestricted cash compared to current liabilities [(Unrestricted cash / Current liabilities] x100	133%	159%	27%	97%	154%	142%	79%	93%	Unrestricted cash remains within an acceptable range. The significant drop between 2020 and 2021 represents a \$1.4M loan becoming a current liability, which will be repaid from cash restricted for this purpose, which has the effect of reducing unrestricted cash and increasing current liabilities, compounding the variance
	Obligations									
O1	Asset renewal Asset renewal compared to depreciation [(Asset renewal expense / Asset depreciation] x100	105%	103%	74%	78%	100%	98%	146%	99%	Council continues to invest in asset upgrade and expansion works in addition to asset renewal. A significant increase is forecast in 2021 reflecting Council's planned bridge renewal project
O2	Loans and borrowings Loans and borrowings compared to rates [(Interest bearing loans and borrowings / Rate revenue] x100	18%	15%	30%	25%	27%	23%	20%	10%	Loans and borrowings are expected to decrease in accordance with repayment schedules
O3	Loans and borrowings repayments compared to rates [(Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	16%	3%	4%	5%	4%	4%	4%	10%	No significant change. The 2022 forecast reflects the schedule repayment of a \$1.4M interest only loan
O4	Indebtedness Non-current liabilities compared to own source revenue [(Non-current liabilities / Own source revenue) x100	16%	14%	25%	21%	23%	20%	11%	8%	Additional borrowings taken out in 2016/17. Declining forecast represents annual repayment of loan principal

Financial Performance Indicators									
Dimension/Indicator /measure	Results 2015	Results 2016	Results 2017	Results 2018	2019	2020	2021	2022	Material Variations and Comments
Operating position Adjusted underlying result									
OP1 Adjusted underlying surplus (or deficit) [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	9.9%	3.0%	7.6%	7.4%	7.8%	4.7%	9.6%	10.2%	An average adjusted underlying surplus of 8% has been achieved and is forecast to continue
Stability Rates concentration									
S1 Rates compared to adjusted underlying revenue [Rate revenue / Adjusted underlying revenue] x 100	56.8%	63.0%	44.0%	60.5%	62.3%	55.6%	66.5%	66.7%	The 2017 decrease is due to \$9.6 million Natural Disaster Financial Assistance received to reinstate eligible flood damaged infrastructure. An average of approximately 60% has been achieved and is also forecast.
Rates effort Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.45%	0.47%	0.44%	0.46%	0.46%	0.46%	0.45%	0.44%	No significant change

Definitions

"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 above
"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure
"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
"current assets" has the same meaning as in the AAS
"current liabilities" has the same meaning as in the AAS
"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 a 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
"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
"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

1. 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.

The Victorian Government developed the new performance reporting framework to ensure that all councils are measuring and reporting on their performance in a consistent way. The framework became mandatory from 1 July 2014 and all councils will need to report results as part of their annual report. This is the fourth year for reporting in this manner and as such there is four years' data to compare to. The previous years results will be used to compare and also highlight any material variations. In future years we will continue to compare our results to the previous three years.

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 those adopted by council in its strategic resource plan on 19 June 2018 and which forms part of the council plan. The 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. The strategic resource plan can be obtained by contacting council.