

**Strathbogie Shire
ANNUAL FINANCIAL REPORT**


For the Year Ended 30 June 2018

**Strathbogie Shire
Financial Report
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Certification of the Financial Statements

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



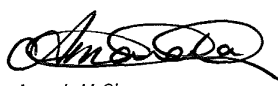
Chaminda Ranwala CPA, ACMA, CGMA
Principal Accounting Officer

Date : 21 September 2018
Euroa, Victoria


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

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

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




Amanda McClaren
Mayor
Date : 25 September 2018
Euroa



Graeme (Mick) Williams
Councillor

Date : 25 September 2018
Euroa



Steve Crawcour
Chief Executive Officer
Date : 25 September 2018
Euroa

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

	Note	2018 \$	2017 \$
Income			
Rates and charges	2.1	18,525,521	18,066,579
Statutory fees and fines	2.2	463,093	389,726
User fees	2.3	683,723	700,096
Grants - operating	2.4	7,030,203	8,040,081
Grants - capital	2.4	3,234,111	3,194,120
Contributions - monetary	2.5	375,105	426,872
Contributions - non monetary	2.5	1,285,840	562,892
Net profit on disposal of property, infrastructure, plant and equipment	2.6	97,362	-
Share of net profits (or loss) of associates	5.3	-	2,981
Other income	2.7	853,311	813,574
Total income		32,548,270	32,196,921
Expenses			
Employee costs	3.1	(9,095,532)	(8,981,770)
Materials and services	3.2	(12,102,108)	(11,444,645)
Depreciation	3.3	(5,802,643)	(5,347,074)
Borrowing costs	3.5	(54,019)	(77,703)
Net loss on disposal of property, infrastructure, plant and equipment	2.6	-	(164,466)
Share of net profits (or loss) of associates	5.3	(8,514)	-
Other expenses	3.6	(4,629,091)	(989,883)
Total expenses		(31,691,907)	(27,005,541)
Surplus/(deficit) for the year		856,363	5,191,380
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	5.2	(3,370,958)	9,810,761
Share of other comprehensive income of associates and joint ventures	5.3	-	-
Total comprehensive result		(2,514,595)	15,002,141

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	14,077,793	12,242,105
Trade and other receivables	4.1	2,185,052	1,754,830
Other financial assets	4.1	-	2,200,000
Non-current assets classified as held for sale	5.1	718,400	926,800
Other assets	4.2	511,059	322,156
Total current assets		17,492,303	17,445,891
Non-current assets			
Other financial assets	4.1	2,032	2,032
Trade and other receivables	4.1	48,771	64,815
Investments in associates, joint arrangements and subsidiaries	5.3	235,987	244,501
Property, infrastructure, plant and equipment	5.2	286,718,423	285,836,580
Total non-current assets		287,005,213	286,147,928
Total assets		304,497,516	303,593,819
Liabilities			
Current liabilities			
Trade and other payables	4.3	2,806,578	3,121,293
Trust funds and deposits	4.3	893,656	352,439
Provisions	4.5	2,338,305	3,164,538
Interest-bearing liabilities	4.4	185,720	511,551
Total current liabilities		6,224,260	7,149,821
Non-current liabilities			
Trust funds and deposits	4.3	64,203	63,486
Provisions	4.5	5,696,602	1,158,453
Interest-bearing liabilities	4.4	504,914	690,634
Total non-current liabilities		6,265,718	1,912,573
Total liabilities		12,489,978	9,062,394
Net assets		292,007,538	294,531,425
Equity			
Accumulated surplus		86,990,300	86,289,937
Reserves	8.1	205,017,238	208,241,488
Total Equity		292,007,538	294,531,425

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

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

	Note	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2018		\$	\$	\$	\$
Balance at beginning of the financial year		294,531,425	86,289,937	207,529,238	712,250
Surplus/(deficit) for the year		856,363	856,363	-	-
Net asset revaluation increment/(decrement)		(3,370,958)	-	(3,370,958)	-
Transfers to other reserves		-	(150,000)	-	150,000
Transfers from other reserves		(9,292)	(6,000)	-	(3,292)
Balance at end of the financial year		292,007,538	86,990,300	204,158,280	858,958

		Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
2017		\$	\$	\$	\$
Balance at beginning of the financial year		279,529,284	81,110,407	197,718,477	700,400
Surplus/(deficit) for the year		5,191,380	5,191,380	-	-
Net asset revaluation increment/(decrement)		9,810,761	-	9,810,761	-
Transfers to other reserves		-	(11,850)	-	11,850
Balance at end of the financial year		294,531,425	86,289,937	207,529,238	712,250

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		18,496,088	17,974,619
Statutory fees and fines		463,093	389,726
User fees		683,723	724,869
Grants - operating		6,793,808	8,075,151
Grants - capital		3,234,111	3,194,120
Contributions - monetary		375,105	426,872
Interest received		282,507	284,653
Trust funds and deposits taken		1,867,187	1,271,355
Other receipts		441,479	528,921
Net GST refund		1,977,509	1,646,096
Employee costs		(9,073,531)	(8,851,740)
Materials and services		(14,628,715)	(12,844,955)
Trust funds and deposits repaid		(1,325,253)	(1,685,651)
Other payments		(301,654)	(586,623)
Net cash provided by/(used in) operating activities	8.2	<u>9,285,458</u>	<u>10,547,413</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.2	(10,189,917)	(6,607,667)
Proceeds from sale of property, infrastructure, plant and equipment	2.6	1,105,718	488,157
Reclassification financial assets as cash		2,200,000	(1,000,000)
Net cash provided by/(used in) investing activities		<u>(6,884,199)</u>	<u>(7,119,510)</u>
Cash flows from financing activities			
Finance costs		(54,019)	(77,703)
Repayment of borrowings		(511,551)	(488,073)
Net cash provided by/(used in) financing activities		<u>(565,570)</u>	<u>(565,776)</u>
Net increase (decrease) in cash and cash equivalents		1,835,688	2,862,127
Cash and cash equivalents at the beginning of the financial year		12,242,105	9,379,978
Cash and cash equivalents at the end of the financial year	4.1(a)	<u>14,077,793</u>	<u>12,242,105</u>
Financing arrangements	4.6		
Restrictions on cash assets	4.1		

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

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

	Note	2018 \$	2017 \$
Property			
Land		-	94,721
Buildings		707,899	1,017,086
Total property		<u>707,899</u>	<u>1,111,807</u>
Plant and equipment			
Plant, machinery and equipment		464,281	324,700
Computers and telecommunications		155,205	434,172
Total plant and equipment		<u>619,486</u>	<u>758,872</u>
Infrastructure			
Roads		5,007,585	3,001,229
Bridges and culverts		2,461,137	956,819
Footpaths		311,939	116,689
Drainage		808,337	505,575
Open space assets		273,533	156,676
Total infrastructure		<u>8,862,531</u>	<u>4,736,988</u>
Total capital works expenditure		<u>10,189,917</u>	<u>6,607,667</u>
Represented by:			
New asset expenditure		660,388	873,658
Asset renewal expenditure		8,580,986	5,254,681
Asset expansion expenditure		230,644	113,901
Asset upgrade expenditure		717,899	365,427
Total capital works expenditure		<u>10,189,917</u>	<u>6,607,667</u>

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

OVERVIEW

Introduction

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

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

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 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)

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 27 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	18,550,000	18,525,521	(24,479)	
Statutory fees and fines	367,000	463,093	96,093	1
User fees	729,000	683,723	(45,277)	
Grants - operating	2,833,000	7,030,203	4,197,203	2
Grants - capital	3,054,000	3,234,111	180,111	3
Contributions - monetary	442,000	375,105	(66,895)	4
Contributions - non monetary	-	1,285,840	1,285,840	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	97,362	97,362	6
Other income	677,000	853,311	176,311	7
Total income	26,652,000	32,548,270	5,896,270	
Expenses				
Employee costs	(8,772,000)	(9,095,532)	(323,532)	8
Materials and services	(11,853,000)	(12,102,108)	(249,108)	9
Depreciation	(5,259,000)	(5,802,643)	(543,643)	10
Borrowing costs	(54,000)	(54,019)	(19)	
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(141,000)	-	141,000	6
Share of net profits/(losses) of associates and joint ventures	-	(8,514)	(8,514)	
Other expenses	(799,000)	(4,629,091)	(3,830,091)	11
Total expenses	(26,878,000)	(31,691,907)	(4,813,907)	
Surplus/(deficit) for the year	(226,000)	856,363	1,082,363	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	Fees from newly increased planning/sub-division fee regulations \$67K, Fees from increased building activity \$18K
2	Grants - operating *Victorian Grants Commission (VGC)	Increased VGC funding \$93K, prepaid 2018/19 VGC funding \$2.65 million, unbudgeted Flood funding \$1.27 million, unbudgeted grant Friendlies Oval \$90K
3	Grants - capital	Unsuccessful budgeted grants applications (\$260K), offset by unbudgeted grants for boat ramp \$221K, Violet Town mens shed \$52K, other minor grants \$69K, greater than budgeted Roads to Recovery grant \$97K
4	Contributions - monetary	A budgeted contribution of \$100K for Violet Town Oval toilets was not received
5	Contributions - non monetary	Gifted assets \$1.15M, found assets \$140K. Refer Note 2.5 for details
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Sales of Council owned land exceeded budget expectations
7	Other income	Unbudgeted income from fire prevention infringements \$74K, greater than budgeted investment interest received \$86K
8	Employee costs	Previously provided by contract \$218K, funded by new grants \$94K, under-budgeted \$48K, new resources to fund increased activity \$40K
9	Materials and services	Greater than budgeted legal fees \$127K, greater than budgeted utilities \$115K
10	Depreciation	Increased infrastructure depreciation \$456K
11	Other expenses	Greater than budgeted written down value of infrastructure assets replaced \$115K Increase in Violet Town landfill rehabilitation provision \$3.72 million

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$	Actual 2018 \$	Variance 2018 \$	Ref
Property				
Land	-	-	-	
Buildings	1,542,000	707,899	(834,101)	1
Total Property	1,542,000	707,899	(834,101)	
Plant and Equipment				
Plant, machinery and equipment	984,000	464,281	(519,719)	2
Computers and telecommunications	406,000	155,205	(250,795)	3
Total Plant and Equipment	1,390,000	619,486	(770,514)	
Infrastructure				
Roads	6,045,000	5,007,585	(1,037,415)	4
Bridges and culverts	3,443,000	2,461,137	(981,863)	5
Footpaths	303,000	311,939	8,939	
Drainage	1,344,000	808,337	(535,663)	6
Open space assets	475,000	273,533	(201,467)	7
Total Infrastructure	11,610,000	8,862,531	(2,747,469)	
Total Capital Works Expenditure	14,542,000	10,189,917	(4,352,083)	

Represented by:

New asset expenditure	1,734,000	660,388	(1,073,612)
Asset renewal expenditure	10,337,000	8,580,986	(1,756,014)
Asset expansion expenditure	220,000	230,644	10,644
Asset upgrade expenditure	2,251,000	717,899	(1,533,101)
Total Capital Works Expenditure	14,542,000	10,189,917	(4,352,083)

(i) Explanation of material variations

Variance Ref	Item	Explanation
		Completion of capital works programs are often impacted by such factors as unfavourable weather, poor response to tenders, external funding delays, rescoping of projects etc.
		A range of these factors have impacted the 2017/18 capital works program and resulted in delays in the following project areas, necessitating their deferral to 2018/19.
1		
2	Buildings	Carried forward to 2018/19 \$752K
3	Plant, machinery and equipment	Carried forward to 2018/19 \$433K
4	Computers and telecommunications	Carried forward to 2018/19 \$336K
5	Roads	Carried forward to 2018/19 \$1.71M, unbudgeted flood restoration \$1.14M, reseal saving \$427K
6	Bridges and culverts	Carried forward to 2018/19 \$870K
7	Drainage	Carried forward to 2018/19 \$475K
	Open space assets	Carried forward to 2018/19 \$227K

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 the valuation of the land and all improvements on that land.

The valuation base used to calculate general rates for 2017/18 was \$2.837million (2016/17 \$2.805 million).

General Rates	14,339,771	13,810,852
Municipal charge	1,785,711	1,768,376
Waste management charge	2,402,955	2,287,353
Special rates and charges	(2,917)	199,998
Total rates and charges	18,525,521	18,066,579

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

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

2.2 Statutory fees and fines

Building fees	56,172	45,779
Planning fees	234,279	167,346
Health registrations	70,088	66,679
Animal registrations	81,122	83,433
Land information certificates	20,889	21,470
Boating infringements	543	5,019
Total statutory fees and fines	463,093	389,726

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

2.3 User fees

Tip fees	129,909	100,005
Nagambie Lakes events	12,723	17,087
Saleyard operations revenue	244,958	248,877
Swimming pools revenue	5,529	5,234
Fire Service Levy - financial support	41,315	40,128
Rent/lease Charges	40,072	50,795
Private works	1,180	2,380
Euroa Cinema	63,750	56,196
Debt collection expenses recovered	62,656	90,316
Septic tank fees	19,346	15,940
Other user charges and contributions	62,285	73,138
Total user fees	683,723	700,096

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

2.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	7,404,930	9,937,254
State funded grants	2,859,384	1,296,947
Total grants received	10,264,314	11,234,201

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(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	5,191,999	7,506,006
Senior Citizens Grants	20,086	19,729
Commonwealth Roads of Access	41,100	40,303

Recurrent - State Government

Aged Care	0	31,810
Maternal & Child Health	128,561	112,516
Youth	55,000	55,000
Community Safety	34,041	19,339
Median Strip Subsidy	7,000	7,000
Pests and Plants Program	53,364	53,378
Municipal Emergency Resource Programme	60,000	60,000
Nagambie Tourism Infrastructure	0	45,000
Engage Youth	18,333	0
Supported Playgroup	41,250	0
Recycling	13,800	0
Total recurrent operating grants	5,664,535	7,950,081

2018	2017
\$	\$

Non-recurrent - State Government

Recreation	90,000	90,000
Flood Event 12/2017	1,265,668	0
Vic Health Walk To School	10,000	0
Total non-recurrent operating grants	1,365,668	90,000

Total operating grants

7,030,203	8,040,081
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(b) Capital Grants

Recurrent - Commonwealth Government

Roads to recovery	2,151,745	2,371,216
Total recurrent capital grants	2,151,745	2,371,216

Non-recurrent - State Government

Roads and Bridges	609,000	307,377
Buildings	222,270	253,000
Recreation	221,096	17,500
Footpaths	20,000	75,000
Waste Transfer Station Upgrades	0	50,027
Euroa Flood Levee	10,000	120,000
Total non-recurrent capital grants	1,082,366	822,904

Total capital grants

3,234,111	3,194,120
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(c) Unspent grants received on condition that they be spent in a specific manner

Balance at start of year	-	354,018
Received during the financial year and remained unspent at balance date	399,696	-
Received in prior years and spent during the financial year	-	(354,018)
Balance at year end	399,696	-

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

2.5 Contributions

Monetary	375,105	426,872
Non-monetary	1,285,840	562,892
Total contributions	1,660,945	989,764

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

Buildings	-	317,000
Roads	223,935	
Land under roads	108,266	
Footpaths	230,600	
Kerb & channel	98,580	
Drainage	624,459	245,892
Total non-monetary contributions	1,285,840	562,892

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

2.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

Proceeds of sale	1,105,718	488,157
Written down value of assets disposed	(1,008,356)	(652,623)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	97,362	(164,466)

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

	2018	2017
	\$	\$
2.7 Other income		
Interest	282,507	289,147
Interest on rates	95,685	88,960
Diesel rebate	60,158	49,113
Insurance recoveries	122,756	164,065
Regional Shared Services	100,000	100,000
Parental Leave Reimbursement	31,945	8,094
Green Organics	74,713	91,448
Fire Prevention Notice Infringements	74,336	3,133
Other Items	11,211	19,614
Total other income	853,311	813,574

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	7,943,310	7,882,260
WorkCover	165,915	140,691
Superannuation	722,884	678,538
Fringe benefits tax	139,189	173,520
Other	124,234	106,761
Total employee costs	9,095,532	8,981,770

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	71,993	79,526
	71,993	79,526

Employer contributions payable at reporting date.

Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	376,892	375,143
Employer contributions - other funds	261,014	203,778
	<u>637,906</u>	<u>578,921</u>
Employer contributions payable at reporting date.	-	-

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

3.2 Materials and services		
Building & Infrastructure Maintenance	3,434,942	3,470,163
Waste Management	2,034,337	1,947,271
Consultancies & Other Contractors	1,318,476	1,650,749
Operating Expenses- Plant	1,011,215	744,349
Community Expenses	753,872	739,407
Contractors- Labour Hire	809,784	637,725
Information Systems & Communications	681,838	529,996
Other Expenses	286,570	431,669
Materials and Services	674,223	323,860
Utilities	415,617	355,033
Insurances	345,687	312,326
Printing, Stationery & Postage	152,328	209,344
Legal Fees	183,219	92,753
Total materials and services	<u>12,102,108</u>	<u>11,444,645</u>

3.3 Depreciation		
Property	853,471	868,928
Plant and equipment	500,928	523,758
Furniture and Equipment	193,104	249,191
Infrastructure	4,255,141	3,705,197
Total depreciation	<u>5,802,643</u>	<u>5,347,074</u>

Refer to note 5.2 for a more detailed breakdown of depreciation charges and accounting policy.

	2018	2017
	\$	\$
3.4 Bad and doubtful debts		
Movement in provisions for doubtful debts		
Balance at the beginning of the year	(7,025)	(7,025)
Balance at end of year	<u>(7,025)</u>	<u>(7,025)</u>

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

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3.5 Borrowing costs		
Interest - Borrowings	54,019	77,703
Total borrowing costs	54,019	77,703

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.

3.6 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquitals	41,900	39,000
Auditors' remuneration - Internal	41,630	46,201
Councillors' allowances	180,341	159,982
Other Councilor expenses	28,595	41,440
WDV of Infrastructure Assets Renewed**	615,521	403,260
Violet Town Landfill Provision	3,718,104	-
Donation*	-	300,000
Total other expenses	4,629,091	989,883

* During 2016/17 Council made a donation of \$300,000 to Euroa Hospital to purchase medical equipment.

** The residual value of renewed infrastructure assets at the time of their renewal

Note 4 Our financial position**4.1 Financial assets****(a) Cash and cash equivalents**

Cash on hand	4,563	4,213
Cash at bank	1,873,230	2,231,974
Term deposits	12,200,000	10,005,918
Total cash and cash equivalents	14,077,793	12,242,105

(b) Other financial assets**Current**

Term deposits - current	-	2,200,000
Total Current other financial assets	-	2,200,000

Non-Current

Share in MAV Purchasing Scheme	2,032	2,032
Total Non-Current other financial assets	2,032	2,032
Total Other financial assets	2,032	2,202,032
Total financial assets	14,079,825	14,444,137

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)	893,656	352,439
Total restricted funds	893,656	352,439
Total unrestricted cash and cash equivalents	13,184,137	11,889,666

Intended allocations

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

- Cash held to fund carried forward capital works	4,521,000	4,194,000
- Open space reserve	108,958	112,250
- Bridge replacement reserve	750,000	600,000
Total funds subject to intended allocations	5,379,958	4,906,250

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.

(c) Trade and other receivables	2018	2017
	\$	\$
Current		
<i>Statutory receivables</i>		
Rates debtors	1,173,549	1,091,488
Special rate assessment	6,096	49,706
Net GST Receivable	346,385	327,361
<i>Non statutory receivables</i>		
Other debtors	666,047	293,300
Provision for doubtful debts - other debtors	(7,025)	(7,025)
Total current trade and other receivables	<u>2,185,052</u>	<u>1,754,830</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	48,771	64,815
Total non-current trade and other receivables	<u>48,771</u>	<u>64,815</u>
Total trade and other receivables	<u>2,233,823</u>	<u>1,819,645</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)	524,638	228,573
Past due by up to 30 days	17,366	8,599
Past due between 31 and 180 days	124,043	77,886
Past due between 181 and 365 days	-	-
Past due by more than 1 year	-	-
	<u>666,047</u>	<u>315,058</u>
Total trade & other receivables	<u>666,047</u>	<u>315,058</u>

4.2 Non-financial assets	2018	2017
	\$	\$
Other assets		
Prepayments	330,874	201,786
Accrued income	173,969	112,522
Inventories	6,216	7,848
Total other assets	511,059	322,156

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.

4.3 Payables

(a) Trade and other payables

Trade payables	2,523,290	2,804,275
Accrued expenses	283,288	317,018
Total trade and other payables	2,806,578	3,121,293

(b) Trust funds and deposits

Current

Refundable deposits	10,650	12,077
Fire services levy	444,231	10,900
Retention amounts	191,650	132,230
Funds held on behalf of other organisations	247,125	197,232
Total Current trust funds and deposits	893,656	352,439

Non-Current

Trust funds bequested	64,203	63,486
Total Non-Current trust funds and deposits	64,203	63,486

Total trust funds and deposits

957,859	415,925
---------	---------

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.

Funds held on behalf of other organisations - Amounts held in trust by Council for other organisations. To be expended in accordance with the directions of the organisation.

4.4 Interest-bearing liabilities	2018	2017
	\$	\$
Current		
Borrowings - secured	185,720	511,551
	185,720	511,551
Non-current		
Borrowings - secured	504,914	690,634
	504,914	690,634
Total	690,634	1,202,185

Borrowings are secured by securities on the rates of Council

The maturity profile for Council's borrowings is:

Not later than one year	185,720	511,551
Later than one year and not later than five years	504,914	690,634
Later than five years	-	-
	<u>690,634</u>	<u>1,202,185</u>

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

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

4.5 Provisions

	Employee	Landfill restoration	Total
	\$	\$	\$
2018			
Balance at beginning of the financial year	2,544,253	1,778,738	4,322,991
Additional provisions	711,861	3,718,103	4,429,964
Amounts used	(721,389)	-	(721,389)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	3,340	-	3,340
Balance at the end of the financial year	<u>2,538,065</u>	<u>5,496,841</u>	<u>8,034,906</u>

2017

Balance at beginning of the financial year	2,536,899	1,656,062	4,192,961
Additional provisions	786,349	122,676	909,025
Amounts used	(778,995)	-	(778,995)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	-
Balance at the end of the financial year	<u>2,544,253</u>	<u>1,778,738</u>	<u>4,322,991</u>

(a) Employee provisions

	2018	2017
	\$	\$
Current provisions expected to be wholly settled within 12 months		
Annual leave	589,217	608,831
Long service leave	132,171	279,533
Other	31,444	20,099
	<u>752,832</u>	<u>908,463</u>

The current provisions expected to be wholly settled within 12 months for annual leave and long service leave are based on the 2017/18 actual payments of annual and long service leave.

Current provisions expected to be wholly settled after 12 months

Annual leave	398,787	375,973
Long service leave	1,186,687	1,083,194
	<u>1,585,474</u>	<u>1,459,167</u>
Total current employee provisions	<u>2,338,305</u>	<u>2,367,630</u>

Non-current

Long service leave	199,760	176,623
Total non-current employee provisions	<u>199,760</u>	<u>176,623</u>
Aggregate carrying amount of employee provisions:		
Current	2,338,305	2,367,630
Non-current	199,760	176,623
Total aggregate carrying amount of employee provisions	<u>2,538,065</u>	<u>2,544,253</u>

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate - weighted average	2.32%	2.22%
- inflation rate	2.15%	2.15%

	2018	2017
(b) Landfill restoration	\$	\$
Current	-	796,908
Non-current	5,496,842	981,830
	<u>5,496,842</u>	<u>1,778,738</u>

Council is obligated to restore the Violet Town landfill site to a particular standard. The work required to restore the site to an acceptable standard has recently been reassessed by Council's landfill consultant, Meinhardt Group in consultation with the EPA. Three rehabilitation options and their respective cost estimates have been prepared. At the time of preparing these statements, Council has yet to consider and determine its preferred capping option, however, the landfill rehabilitation provision has been increased in accordance with the most likely option.

Refer to Note 7.1, Contingent Liabilities for further information.

Key assumptions:

- discount rate - weighted average	2.32%	2.22%
- inflation rate	3.00%	3.00%
- estimated cost to rehabilitate	\$ 796,908	\$ 796,908

4.6 Financing arrangements

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

Bank overdraft	1,145,000	1,145,000
Loan facilities	690,634	1,200,000
Lease facilities	500,000	500,000
Credit card facilities	100,000	100,000
Total facilities	<u>2,435,634</u>	<u>2,945,000</u>
Used facilities	<u>(784,284)</u>	<u>(1,194,372)</u>
Unused facilities	<u>1,651,350</u>	<u>1,750,628</u>

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	Later than 1 year and not later than 2 years				Total
	Not later than 1 year	Later than 2 years	and not later than 5 years	Later than 5 years	
	\$	\$	\$	\$	\$
Operating					
Recycling	1,287,461	1,393,784	4,281,384	1,542,791	8,505,420
Garbage collection	517,413	539,923	1,762,980	638,271	3,458,587
Open space management	455,283	467,404	157,773		1,080,459
Planning	120,436				120,436
Governance	273,362	129,613	121,136		524,111
Human Resources	12,408				12,408
Flood Damage	6,097,152				6,097,152
Total	<u>8,763,516</u>	<u>2,530,723</u>	<u>6,323,274</u>	<u>2,181,061</u>	<u>19,798,574</u>
Capital					
Bridges	1,013,954	-	-	-	1,013,954
Roads	476,611	-	-	-	476,611
Plant	984,809	-	-	-	984,809
Total	<u>2,475,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,475,374</u>

2017	Not later than	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
	1 year				
	\$	\$	\$	\$	\$
Operating					
Recycling	1,219,290	1,268,061	4,116,716	3,026,243	9,630,310
Garbage collection	495,676	517,413	1,690,527	1,250,646	3,954,262
Open space management	116,094	-	-	-	116,094
Cleaning contracts for council buildings	2,338	-	-	-	2,338
Total	1,833,398	1,785,474	5,807,243	4,276,889	13,703,004
Capital					
Buildings	185,570	-	-	-	185,570
Roads	1,004,416	-	-	-	1,004,416
Drainage	84,562	-	-	-	84,562
Total	1,274,548	-	-	-	1,274,548

	2018	2017
	\$	\$
Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	140,444	87,119
Later than one year and not later than five years	421,556	214,946
Later than five years	33,741	-
	<u>595,741</u>	<u>302,065</u>

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

Note 5 Assets we manage

5.1 Non current assets classified as held for sale

Cost of acquisition	718,400	926,800 *
Total non current assets classified as held for sale	718,400	926,800

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs of disposal, and are not subject to depreciation. Non-current 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.

* Non-current assets classified as held for resale as at 30 June 2017 included 2 properties, being lots 3 and 4 Carrick Cres., Nagambie, which Council has subsequently determined to retain for municipal purposes.

The non-current assets held for resale are 4 allotments in Carrick Cres., Nagambie and units 1-5, 10 Jean Street, Longwood.

The sale of the Carrick Cres., Nagambie properties was approved by Council at its meeting of 18 March 2014. The sale of the Jean Street, Longwood property was approved by Council at its meeting of 20 May 2014. Sales of all properties are either under contract or being actively marketed.

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

	At Fair Value 30 June 2017	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2018
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property	73,979,112	1,744,521	108,266	541,519	(853,471)	(450,400)	0	(445,400)	74,624,147
Plant and equipment	2,798,434	554,751	0	0	(594,030)	(104,355)	0	0	2,554,800
Infrastructure	207,757,999	5,745,217	1,177,574	(3,912,477)	(4,255,142)	(615,522)	(89,853)	0	205,796,796
Work in progress	1,301,035	3,679,632	0	0	0	0	(4,839)	(1,233,148)	3,742,680
	285,836,680	11,722,121	1,285,840	(3,370,958)	(5,802,643)	(1,170,277)	(103,692)	(1,578,548)	286,718,423

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$	\$	\$	\$	\$
Property	868,725	71,244	(4,639)	(857,977)	77,153
Plant and equipment	0	64,734	0	0	64,734
Infrastructure	432,310	3,543,654	0	(875,171)	3,600,793
Total	1,301,035	3,679,632	(4,639)	(1,233,148)	3,742,680

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$
Property		
land	-	10,000
Buildings		
buildings	20 to 120 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 to 20 years	1,000
furniture and equipment	2 to 10 years	1,000
leased plant and equipment	3 to 5 years	5,000
Infrastructure		
road pavements - sealed	7.5 to 110 years	5,000
road pavements - unsealed	18 to 25 years	5,000
road seals	18 to 40 years	5,000
formation and earthworks	-	5,000
bridges deck	80 to 120 years	5,000
bridges substructure	80 to 120 years	5,000
culverts	70 to 100 years	5,000
footpaths	20 to 80 years	5,000
drainage	100 years	5,000
kerb and channel	80 years	5,000

Notes to the Financial Report
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(a) Property

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings Work in Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 30 June 2017	24,617,462	5,419,567	562,040	30,599,069	68,465,070	3,010,360	71,475,430	102,945,224
Accumulated depreciation at 30 June 2017	0	0	0	0	(27,099,904)	(995,467)	(28,095,391)	(28,095,391)
	24,617,462	5,419,567	562,040	30,599,069	41,365,166	2,014,873	43,380,039	74,847,833
Movements in fair value								
Additions	200,200	0	0	200,200	1,544,324	0	1,544,324	1,815,768
Contributions	0	0	106,266	106,266	0	0	0	106,266
Revaluation	0	0	0	0	841,844	0	841,844	841,844
Disposal	(450,400)	0	0	(450,400)	0	0	0	(450,400)
Write-off	0	0	0	0	0	0	0	0
Transfers	(445,400)	0	0	(445,400)	0	0	(4,839)	(4,839)
Impairment losses recognised in operating result	0	0	0	0	0	0	(667,977)	(1,303,377)
	(695,600)	0	106,266	(587,334)	2,385,168	0	2,385,168	1,007,262
Movements in accumulated depreciation								
Depreciation	0	0	0	0	(653,471)	0	(653,471)	(653,471)
Revaluation	0	0	0	0	(300,325)	0	(300,325)	(300,325)
Accumulated depreciation of disposals	0	0	0	0	0	0	0	0
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
	0	0	0	0	(1,163,796)	0	(1,163,796)	(1,163,796)
At fair value 30 June 2018	23,921,862	5,419,567	670,306	30,011,735	70,651,238	3,010,360	73,851,598	103,950,486
Accumulated depreciation at 30 June 2018	0	0	0	0	(26,263,700)	(995,467)	(28,249,167)	(28,249,167)
	23,921,862	5,419,567	670,306	30,011,735	44,387,538	2,014,873	44,672,411	74,701,299

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Work In Progress	Total plant and equipment
	\$	\$	\$	\$
At fair value 1 July 2017	5,640,697	3,256,114	0	8,896,811
Accumulated depreciation at 1 July 2017	(3,573,345)	(2,625,033)	0	(6,098,378)
	2,067,352	731,081	0	2,798,433
Movements in fair value				
Additions	464,281	90,470	64,734	619,485
Contributions	0	0	0	0
Revaluation	0	0	0	0
Disposal	(385,426)	(6,787)		(392,213)
Write-off	0	0	0	0
Transfers	0	0	0	0
Impairment losses recognised in operating result	0	0	0	0
	78,855	83,683	64,734	227,272
Movements in accumulated depreciation				
Depreciation and amortisation	(500,927)	(193,103)		(694,030)
Accumulated depreciation of disposals	281,071	6,787		287,858
Impairment losses recognised in operating result	0	0	0	0
Transfers	0	0	0	0
	(219,856)	(186,316)	0	(406,172)
At fair value 30 June 2018	5,719,552	3,339,797	64,734	9,124,083
Accumulated depreciation at 30 June 2018	(3,793,201)	(2,711,349)	0	(6,504,550)
	1,926,351	628,448	64,734	2,619,534

(c) Infrastructure

	Roads	Bridges and culverts	Footpaths	Drainage	Kerb and channel	Open space assets	Cultural and heritage assets	Work in Progress	Infrastructure	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2017	161,917,050	72,646,796	3,994,886	14,113,922	6,355,689	6,287,976	584,112	432,310	266,326,941	
Accumulated depreciation at 1 July 2017	(43,018,552)	(24,328,735)	(1,243,015)	(3,895,017)	(2,483,337)	(3,072,976)	0	0	(78,136,632)	
	138,903,498	48,312,061	2,751,871	10,118,905	3,872,352	3,215,000	584,112	432,310	208,190,309	
Movements in fair value										
Additions	1,586,375	2,728,421	309,311	677,866	286,311	184,937	0	5,543,654	9,286,865	
Contributions	223,935	0	230,600	624,459	98,580	0	0	0	1,177,574	
Revaluation	2,694,662	541,289	(65,427)	(527,895)	(228,204)	0	0	0	2,414,665	
Disposal	(230,613)	(1,517,970)	(4,698)	(79,082)	0	0	0	0	(1,832,363)	
Write-off	0	0	(99,853)	0	0	0	0	0	(99,853)	
Transfers	0	0	0	0	0	0	0	0	0	
Impairment losses recognised in operating result	0	0	0	0	0	0	0	(375,171)	(375,171)	
	4,244,559	1,751,740	370,893	685,368	156,667	184,937	0	3,168,483	10,572,707	
Movements in accumulated depreciation										
Depreciation and amortisation	(2,648,895)	(767,114)	(69,003)	(146,173)	(109,535)	(293,420)	0	0	(4,255,140)	
Revaluation	(6,361,306)	(207,957)	65,427	5,673	171,430	0	0	0	(6,327,133)	
Accumulated depreciation of disposals	157,780	1,030,787	1,143	27,132	0	0	0	0	1,216,842	
Impairment losses recognised in operating result	0	0	0	0	0	0	0	0	0	
Transfers	0	0	0	0	0	0	0	0	0	
	(9,053,021)	55,716	(22,433)	(115,166)	62,695	(293,420)	0	0	(9,365,431)	
At fair value 30 June 2018	186,161,609	74,392,536	4,385,819	14,809,280	6,512,576	6,472,913	584,112	3,600,793	266,899,648	
Accumulated depreciation at 30 June 2018	(62,066,673)	(24,273,019)	(1,265,446)	(4,110,165)	(2,420,442)	(3,366,396)	0	0	(87,502,063)	
	134,095,036	50,119,517	3,100,371	10,699,105	4,092,134	3,106,517	584,112	3,600,793	209,397,585	

Acquisition

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

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

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

Land under roads

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

Depreciation and amortisation

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

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

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

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

Depreciation periods used are listed 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 John Dixon, of FG Dixon Group on 30 June 2016. 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
	\$'000	\$'000	\$'000	
Land	-	5,420	-	Jun-16
Specialised land	-	-	23,921	Jun-16
Land under roads	-	-	670	Jun-16
Buildings	-	2,015	-	Jun-16
Total	-	7,435	24,591	

Valuation of infrastructure

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. Valuation of infrastructure assets at 30 June 2018 was made by Uwe Paffarth, Certified Municipal Engineer.

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	134,095	Jun-18
Bridges	-	-	50,119	Jun-18
Footpaths and cycleways	-	-	3,200	Jun-18
Drainage	-	-	10,699	Jun-18
Kerb & channel	-	-	4,092	Jun-18
Parks, open space and streetscapes	-	-	3,106	Jun-18
Other infrastructure	-	-	584	Jun-18
Total	-	-	205,895	

Description of significant unobservable inputs into level 3 valuations

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

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

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

	2018	2017
	\$	\$
Reconciliation of specialised land		
Parks and reserves	17,650,764	17,352,965
Waste management	853,801	853,801
Civic centres	2,230,707	2,230,707
Council depts	613,849	613,849
Caravan parks	1,900,420	1,900,420
Pre schools	364,000	364,000
Saleyards	308,321	308,321
Total specialised land	23,921,862	23,624,063

5.3 Investments in associates	2018	2017
	\$	\$
Investments in associates accounted for by the equity method are:		
Goulburn Valley Regional Library Corporation	235,987	244,501
The Goulburn Valley Regional Library Corporation was formed under the provisions of section 196 of the Local Government Act 1989 on 15/09/2009 to provide library services within the local government area of Strathbogje Shire, Moira Shire and City of Greater Shepparton. Council holds 9.89% (2015 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.		
Fair value of Council's investment in Goulburn Valley	<u>235,987</u>	<u>244,501</u>
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	244,501	241,520
Reported surplus/(deficit) for year	(8,514)	2,981
Transfers (to) from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus/(deficit) at end of year	<u>235,987</u>	<u>244,501</u>
Movement in carrying value of specific investment		
Carrying value of investment at start of year	244,501	241,520
Share of surplus/(deficit) for year	(8,514)	2,981
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	<u>235,987</u>	<u>244,501</u>

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Interests in joint ventures are accounted for using the equity method. Under this method, the Interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

Committees of management

The value of land and buildings occupied and/or utilised by Council committees of management is consolidated in Council's balance sheet as at 30 June 2018.

The following committees of management as at 30 June 2018 are not included in this financial report as they are not controlled by Council and accordingly prepare their own financial reports separately:

Avenel Memorial Hall
Boho South Hall
Creighton's Creek Recreation Reserve
Euroa Band Hall
Euroa Friendlies Reserve
Euroa Third Age Club
Gooram Soldiers' Memorial Hall
Honouring Our Heroes
Longwood Community Centre
Miepoll Public Hall
Moglonemby Hall
Nagambie Recreation Reserve
Nagambie Waterways Recreational and Commercial Stakeholders Advisory Committee
Ruffy Recreation Reserve
Shadforth Reserve
Strathbogje Memorial Hall
Strathbogje Recreation Reserve
Tableland Community Centre Committee Ruffy
Violet Town Complex
Violet Town Recreation Reserve

Note 6 People and relationships

6.1 Council and key management remuneration

(a) Related Parties

Parent entity

Strathbogie Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 5.3.

(b) Key Management Personnel

Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:

Councillors	Amanda McClaren (Mayor)		
	Malcolm Little		
	John Mason		
	Kate Stothers		
	Debra Bower		
	Alistair Thomson		
	Graeme (Mick) Williams		
		2018	2017
		No.	No.
Total Number of Councillors		7	11
Chief Executive Officer and other Key Management Personnel		4	4

Total Key Management Personnel		11	15
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(c) Remuneration of Key Management Personnel

	2018	2017
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	883,325	872,803
Post employment benefits	66,704	66,283
Other long-term benefits	16,297	16,113
Termination benefits	-	-
Total	966,326	955,199

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

	2018	2017
	No.	No.
\$1 - \$9,999	-	3
\$10,000 - \$19,999	-	4
\$20,000 - \$29,999	6	3
\$30,000 - \$39,999	-	1
\$60,000 - \$69,999	1	-
\$160,000 - \$169,999	1	1
\$180,000 - \$189,999	2	2
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	-
	11	15

A Senior Officer is an officer of Council, other than Key Management Personnel, who:
a) has management responsibilities and reports directly to the Chief Executive; or
b) whose total annual remuneration exceeds \$145,000

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

Income Range:	2018 No.	2017 No.
\$142,000 - \$149,999	-	1
\$150,000 - \$159,999	1	1
	<u>1</u>	<u>2</u>
	2018	2017
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to	154,783	305,595

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council did not enter into any transactions with related parties that require disclosure.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

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

(d) Commitments to/from related parties

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

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

Flood event December 2017

A major flood event in December 2017 has resulted in a natural disaster claim for infrastructure restoration works estimated at \$5.5 million. At the date of reporting, \$1 million of the funding has been received. There is consequently a \$4.5 million contingent asset in relation to the balance of the claim. The funds will be claimed progressively as the restoration works are completed.

(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

Strathbogie Shire Council made no unfunded liability payments to Vision Super during the 2017/18 year (2016/17 \$0). No contributions are expected to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018.

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) Bank Guarantees

Council has 2 outstanding bank guarantees in favour of Goulburn Valley Water in relation to the construction of sewerage infrastructure in Graham Street, Euroa (\$11,400) and Drysdale Road, Euroa (\$10,253).

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

7.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

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

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

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

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

(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:

- targets a minimum and average level of cash and cash equivalents to be maintained in its Strategic Resource Plan
- has readily accessible standby facilities and other funding arrangements in place;
- has an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 2.47%.

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

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

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 1 to 3 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.

Note 8 Other matters

8.1 Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$	\$	\$
2018			
Property			
Land	24,645,565	-	24,645,565
Buildings	41,262,389	541,519	41,803,908
	<u>65,907,954</u>	<u>541,519</u>	<u>66,449,473</u>
Infrastructure			
Roads	98,182,816	(3,667,044)	94,515,772
Bridges	34,262,241	333,332	34,595,573
Footpaths and cycleways	1,600,498	-	1,600,498
Drainage	4,548,109	(521,991)	4,026,118
Kerb and channel	3,011,415	(56,774)	2,954,641
Other infrastructure	16,205	-	16,205
	<u>141,621,284</u>	<u>(3,912,477)</u>	<u>137,708,807</u>
Total asset revaluation reserves	<u>207,529,238</u>	<u>(3,370,958)</u>	<u>204,158,280</u>
2017			
Property			
Land	24,994,006	(348,441)	24,645,565
Buildings	42,453,352	(1,190,963)	41,262,389
	<u>67,447,358</u>	<u>(1,539,404)</u>	<u>65,907,954</u>
Infrastructure			
Roads	87,967,661	10,215,155	98,182,816
Bridges	34,019,376	242,865	34,262,241
Footpaths	1,279,157	321,341	1,600,498
Drainage	3,977,305	570,804	4,548,109
Kerb and channel	3,011,415	-	3,011,415
Other infrastructure	16,205	-	16,205
	<u>130,271,119</u>	<u>11,350,165</u>	<u>141,621,284</u>
Total asset revaluation reserves	<u>197,718,477</u>	<u>9,810,761</u>	<u>207,529,238</u>

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

(b) Other reserves	Balance at beginning of reporting period	Transfer from accumulated surplus	Balance at end of reporting period
	\$	\$	\$
2018			
Bridge replacement reserve	600,000	150,000	750,000
Open space reserve	112,250	(3,292)	108,958
Total Other reserves	<u>712,250</u>	<u>146,708</u>	<u>858,958</u>
2017			
Bridge replacement reserve	600,000	-	600,000
Open space reserve	100,400	11,850	112,250
Total Other reserves	<u>700,400</u>	<u>11,850</u>	<u>712,250</u>

	2018	2017
	\$	\$
8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	856,363	5,191,380
Depreciation	5,802,643	5,347,074
Non-cash notional legal expense - non-current assets held for resale	-	4,331
(Profit) Loss on disposal of property, infrastructure, plant and equipment	(97,362)	164,466
Written down value of infrastructure assets replaced	615,521	403,260
Borrowing costs	54,019	77,703
Trust funds and other deposits repaid	541,934	(414,298)
Share of net profits of associates	8,514	(2,981)
Contributions - Non-monetary assets/found assets	(1,285,840)	(562,892)
WIP expended 2016/17 - reclassified as operating expense 2017/18	4,839	-
Payments from Open Space Reserve	(9,292)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(414,177)	3,862
(Increase)/Decrease in other assets	(190,535)	(201,407)
Increase/(decrease) in trade and other payables	(314,717)	408,744
(Increase)/decrease in inventories	1,632	(1,859)
Increase/(Decrease) in provisions	3,711,915	130,030
Net cash provided by/(used in) operating activities	9,285,457	10,547,413

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 quarter end June 2018 was 106%.

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

Employer contributions

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 total service liability surplus of \$193.5 million.

A discounted accrued benefits surplus of \$228.8 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2017. Council was notified of the 30 June 2017 VBI during August 2017.

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 December 2018.