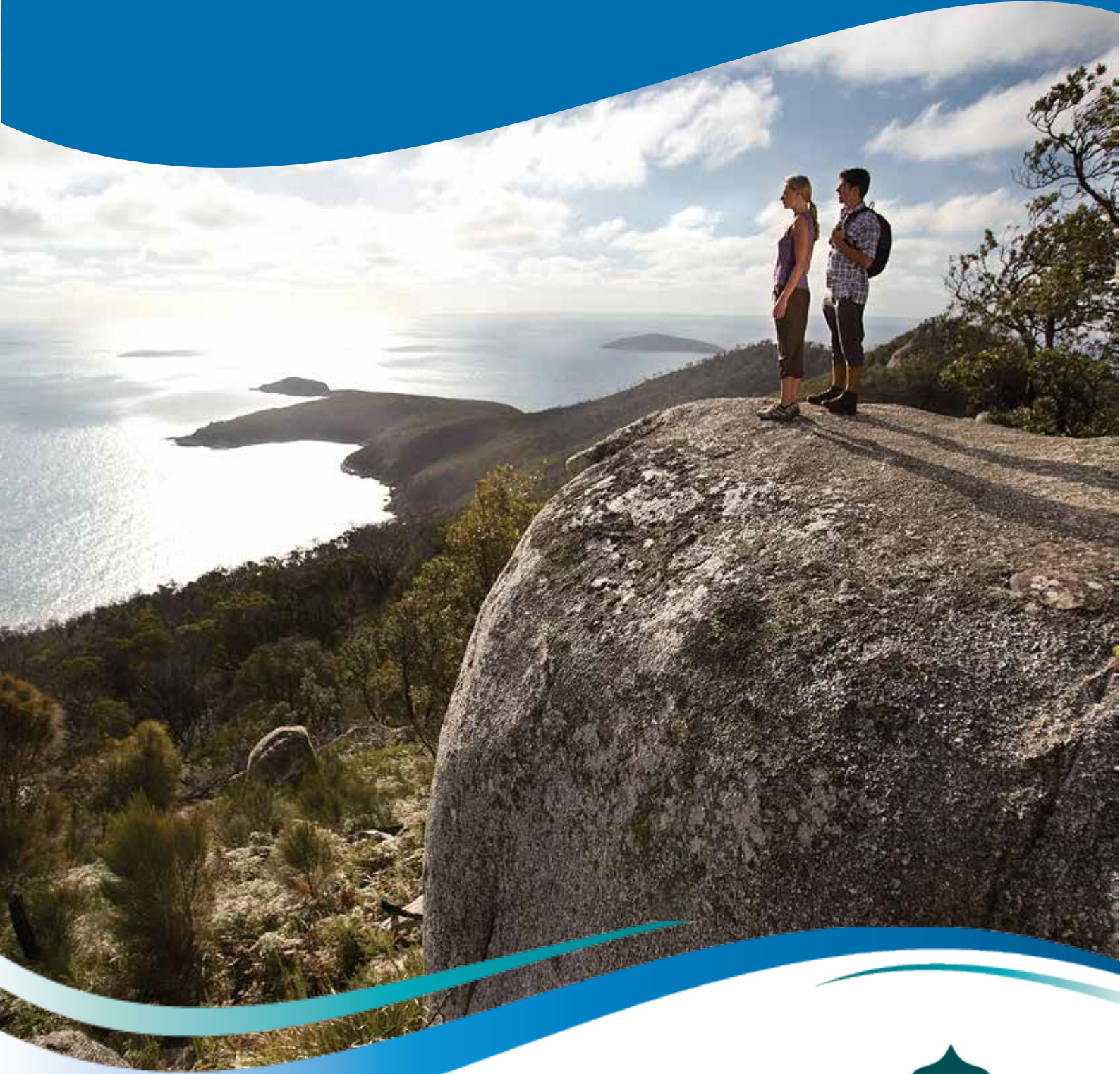


SOUTH GIPPSLAND SHIRE COUNCIL

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2019



South Gippsland
Shire Council

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Certification of the Financials Statements

For the Year Ended 30 June 2019

VAGO Certificate
Placeholder

Certification of Financials Statements

For the Year Ended 30 June 2019

VAGO Certificate
Placeholder

Certification of Financials Statements

For the Year Ended 30 June 2019

VAGO Certificate
Placeholder

Comprehensive Income Statement

For the Year Ended 30 June 2019

	Note	2019 \$'000	Restated (Note 9.4) 2018 \$'000
Income			
Rates and charges	3.1	42,466	41,059
Statutory fees and fines	3.2	955	804
User fees	3.3	4,458	4,476
Grants - operating	3.4	15,365	14,500
Grants - capital	3.4	4,531	5,698
Contributions - monetary	3.5a	609	299
Contributions - non monetary	3.5a	1,185	169
Found assets	3.5b	348	-
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	(313)	203
Fair value adjustments for investment property	6.3	(176)	34
Share of net profits (or loss) of associates and joint ventures	6.2	121	115
Other income	3.7	1,897	2,012
Total income		71,446	69,369
Expenses			
Employee costs	4.1	26,515	24,635
Materials and services	4.2	24,732	23,556
Depreciation and amortisation	4.3	11,281	10,479
Bad and doubtful debts	4.4	22	47
Borrowing costs	4.5	142	143
Other expenses	4.6	3,058	3,011
Total expenses		65,750	61,871
Surplus/(deficit) for the year		5,696	7,498
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.1	32,070	(13,462)
Total comprehensive result		37,766	(5,964)

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

Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	Restated (Note 9.4) 2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1a	7,000	5,458
Trade and other receivables	5.1c	5,518	5,610
Other financial assets	5.1b	28,273	24,266
Inventories	5.2	240	281
Other assets	5.2	58	61
Total current assets		41,089	35,676
Non-current assets			
Investments in associates, joint arrangements and subsidiaries	6.2	1,358	1,237
Property, infrastructure, plant and equipment	6.1	551,540	519,182
Investment property	6.3	587	763
Intangible assets	5.2	705	940
Total non-current assets		554,190	522,122
Total assets		595,279	557,798
Liabilities			
Current liabilities			
Trade and other payables	5.3	3,503	3,883
Trust funds and deposits	5.3	1,025	911
Provisions	5.5	5,896	6,731
Interest-bearing liabilities	5.4	3,350	-
Total current liabilities		13,774	11,525
Non-current liabilities			
Provisions	5.5	3,667	2,851
Interest-bearing liabilities	5.4	-	3,350
Total non-current liabilities		3,667	6,201
Total liabilities		17,441	17,726
Net assets		577,838	540,072
Equity			
Accumulated surplus		224,711	219,590
Reserves	9.1	353,127	320,482
Total Equity		577,838	540,072

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

Statement of Changes in Equity

For the Year Ended 30 June 2019

2019	Note	Accumulated	Revaluation	Other	
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		540,072	219,590	316,078	4,404
Surplus/(deficit) for the year		5,696	5,696	-	-
Net asset revaluation increment/(decrement)	6.1	32,070	-	32,070	-
Transfers to other reserves	9.1	-	(2,565)	-	2,565
Transfers from other reserves	9.1	-	1,990	-	(1,990)
Balance at end of the financial year		577,838	224,711	348,148	4,979

Restated (Note 9.4) 2018		Accumulated	Revaluation	Other	
		Total	Surplus	Reserve	Reserves
		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		546,036	213,187	329,540	3,309
Surplus/(deficit) for the year		7,498	7,498	-	-
Net asset revaluation increment/(decrement)	6.1	(13,462)	-	(13,462)	-
Transfers to other reserves	9.1	-	(2,148)	-	2,148
Transfers from other reserves	9.1	-	1,053	-	(1,053)
Balance at end of the financial year		540,072	219,590	316,078	4,404

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

Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		42,323	40,956
Statutory fees and fines		955	804
User fees		4,785	3,421
Grants - operating		15,365	14,500
Grants - capital		4,531	5,698
Contributions - monetary		609	299
Interest received		686	702
Trust funds and deposits taken		160	82
Other receipts		1,249	1,434
Net GST refund/payment		2,643	2,631
Employee costs		(26,868)	(24,774)
Materials and services		(27,530)	(25,811)
Trust funds and deposits repaid		(46)	(45)
Other payments		(3,058)	(3,011)
Net cash provided by/(used in) operating activities	9.2	15,804	16,887
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(10,916)	(14,156)
Proceeds from sale of property, infrastructure, plant and equipment	3.6	803	854
Payments for investments		(4,007)	(7,685)
Net cash provided by/(used in) investing activities		(14,120)	(20,987)
Cash flows from financing activities			
Finance costs		(142)	(143)
Net cash provided by/(used in) financing activities		(142)	(143)
Net increase (decrease) in cash and cash equivalents		1,542	(4,243)
Cash and cash equivalents at the beginning of the financial year		5,458	9,701
Cash and cash equivalents at the end of the financial year	5.1a	7,000	5,458
Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works

For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Property			
Land		19	13
Buildings		996	397
Total property		<u>1,015</u>	<u>410</u>
Plant and equipment			
Plant, machinery and equipment		1,277	1,207
Computers and telecommunications		481	366
Total plant and equipment		<u>1,758</u>	<u>1,573</u>
Infrastructure			
Roads		4,187	9,498
Bridges		1,583	1,089
Major Culverts		187	87
Footpaths and cycleways		439	704
Drainage		139	67
Waste management		49	81
Other infrastructure		1,559	647
Total infrastructure		<u>8,143</u>	<u>12,173</u>
Total capital works expenditure		<u>10,916</u>	<u>14,156</u>
Represented by:			
New asset expenditure		125	132
Asset renewal expenditure		8,949	9,968
Asset expansion expenditure		1,270	395
Asset upgrade expenditure		572	3,661
Total capital works expenditure		<u>10,916</u>	<u>14,156</u>

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

Notes to the Financial Report

For the Year Ended 30 June 2019

OVERVIEW

Introduction

The South Gippsland Shire Council was established by an Order of the Governor in Council on 2nd December 1994 and is a body corporate. The Council's main office is located at 9 Smith Street, Leongatha.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- other areas requiring judgements

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

Notes to the Financial Report

For the Year Ended 30 June 2019

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$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 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
Income					
Rates and charges	42,505	42,466	(39)	0%	
Statutory fees and fines	941	955	14	1%	
User fees	4,413	4,458	45	1%	
Grants - operating	10,653	15,365	4,712	44%	1
Grants - capital	3,403	4,531	1,128	33%	2
Contributions - monetary	583	609	26	4%	
Contributions - non monetary	387	1,185	798	206%	3
Found assets	-	348	348		4
Net gain/(loss) on disposal of property, infrastructure, plant	245	(313)	(558)	-228%	5
Fair value adjustments for investment property	-	(176)	(176)		6
Share of net profits/(losses) of associates and joint venture	-	121	121		7
Other income	1,592	1,897	305	19%	8
Total income	64,722	71,446	6,724	10%	
Expenses					
Employee costs	25,224	26,515	(1,291)	-5%	9
Materials and services	24,074	24,732	(658)	-3%	10
Depreciation and amortisation	10,288	11,281	(993)	-10%	11
Bad and doubtful debts	1	22	(21)	-2100%	12
Borrowing costs	142	142	-	0%	
Other expenses	3,548	3,058	490	14%	13
Total expenses	63,277	65,750	(2,473)	-4%	
Surplus/(deficit) for the year	1,445	5,696	4,251	294%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Grants - operating	50% of Victorian Grants Commission allocation (\$5M) relating to 2019-20 was received in advance, net of \$300K budgeted for Home & Community Care that was not received as funding ended as of 31st March 2019.
2	Grants - capital	Receipt of non-recurrent capital grants of \$540K for Fixing Country Roads, \$225K for Toora Swimming Pool, \$225K for Korumburra Rec Reserve Change Room and \$225K for Baromi Park works that were not in the original budget.
3	Contributions - non monetary	Higher developer contributions received than expected relating to assets received from development in Foster (Parkside Crs, Clement Crt and Station Rd) and Korumburra (Isabella Bl)
4	Found assets	Found assets were unexpected and not budgeted for.
5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Losses of \$326K recognised on disposal of infrastructure assets during capital works that were not budgeted for. Remaining gain on sale of plant, machinery and equipment was lower than expected.
6	Fair value adjustments for investment property	Fair value adjustments for the investment property is not budgeted for.
7	Share of net profits/(losses) of associates and joint ventures	Council share of surplus is not budgeted for.
8	Other income	Interest received on term-deposits was higher than budgeted for by \$207K.
9	Employee costs	Higher employee costs of \$442K relate to the Home & Community Care funding ending 31st March 2019. This was made up of \$976K unbudgeted redundancy payments, which was reduced by 3 months of salaries that were budgeted for and did not occur of \$266K. Remaining higher employee costs relate to employee oncosts and workcover.
10	Materials and services	Increase in landfill provision not budgeted for in 2018-19.
11	Depreciation	Higher depreciation than expected due to increase in Buildings, Roads and Other Structures value as of 30 June 2018, after budget was adopted.
12	Bad and doubtful debts	Increase in doubtful debts provision to reflect likelihood of default across all aging buckets based on history.
13	Other expenses	Budget included \$400K toward a new mobile library in 2018-19 that did not go ahead.

Notes to the Financial Report

For the Year Ended 30 June 2019

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
Property					
Land	-	19	19	-	1
Total land	-	19	19		
Buildings	2,333	996	(1,337)	-57%	2
Total buildings	2,333	996	(1,337)	-57%	
Total property	2,333	1,015	(1,318)	-56%	
Plant and equipment					
Plant, machinery and equipment	2,058	1,277	(781)	-38%	3
Computers and telecommunications	1,847	481	(1,366)	-74%	4
Total plant and equipment	3,905	1,758	(2,147)	-55%	
Infrastructure					
Roads	5,648	4,187	(1,461)	-26%	5
Bridges	2,439	1,583	(856)	-35%	6
Major Culverts	111	187	76	68%	7
Footpaths and cycleways	1,522	439	(1,083)	-71%	8
Drainage	341	139	(202)	-59%	9
Waste management	1,167	49	(1,118)	-96%	10
Other infrastructure	5,897	1,559	(4,338)	-74%	11
Total infrastructure	17,125	8,143	(8,982)	-52%	
Total capital works expenditure	23,363	10,916	(12,447)	-53%	
Represented by:					
New asset expenditure	2,024	125	(1,899)	-94%	
Asset renewal expenditure	17,207	8,949	(8,258)	-48%	
Asset expansion expenditure	199	1,270	1,071	538%	
Asset upgrade expenditure	3,933	572	(3,361)	-85%	
Total capital works expenditure	23,363	10,916	(12,447)	-53%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	General land purchases higher than budgeted.
2	Buildings	Capital works on Long Jetty and Yanakie Caravan Parks (\$527K), Community Hub - Korumburra (\$77K), Renewal Program (\$141K), Waratah Bay Caravan Park (\$190K) and Early Years Renewal Program (\$305K) were deferred and carried forward to 2019-20. Project to refurbish the old Korumburra Kindergarten into an interim library (\$225K) was cancelled.
3	Plant, machinery and equipment	Variance due to purchases of a chipper (\$120K), excavator (\$284K) and other smaller plant carried forward to 2019-20.
4	Computers and telecommunications	Variance due to various projects and purchases carried forward to 2019-20.
5	Roads	Various road reseals (\$800K) and Loch Main Street Renewal (\$670K) deferred to 2019-20.
6	Bridges	Bena Kongwak Bridge project was \$757K lower than budgeted.
7	Major Culverts	Projects brought forward to 2018-19. Works included Shands Road, Agnes (\$77K) and Fish Creek Waratah Road, Waratah Bay (\$108K).
8	Footpaths and cycleways	Jumbunna Road, Korumburra footpath extension (\$899K) and Old Waratah Road, Fish Creek (\$126K) deferred to 2019-20.
9	Drainage	Sanders Lane, Korumburra (\$130K) and other drainage deferred to 2019-20.
10	Waste management	\$352K was budgeted for Leachate Evaporation System that was cancelled. \$778K was budgeted for Cell 3 rehabilitation works that are not capital and were provided for in the Landfill Provision.
11	Other infrastructure	Mirboo North Pool (\$3.75M) and other various projects deferred to 2019-20.

Notes to the Financial Report

For the Year Ended 30 June 2019

Note 2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Corporate and Community Services Management

The Corporate and Community Services Directorate Management is accountable for ensuring that Council's objectives for the Directorate are achieved through the following Departments:

- Community Services;
- Finance, Risk & Procurement; and
- Innovation & Council Business.

Together these Departments provide strategic policy advice to Councillors/Administrators to inform their decisions, coordinate the preparation of the four year Council Plan, plan for long term financial sustainability, facilitate community strengthening programs, manage corporate technologies and systems and implement strategic directions relevant to the Directorate once set by Council. This department also contains Community Strengthening and Community Grants that connect and support community groups, volunteers, committees and other Council Departments, to provide services beyond those that Council, by itself, can deliver.

Community Services

The Community Services Department provide policy advice and program delivery for the following services:

- Aged & Disability Services, including Home and Community Care and Disability Service support;
- Children and Family Services; including Maternal and Child Health; Immunisation, Pre-school and Playgroup support;
- Libraries; and
- Create the Municipal Public Health and Wellbeing Plan.

Together these teams work towards creating a collaborative, self-supporting community.

Finance, Risk and Procurement

The Finance, Risk and Procurement Department deliver financial planning, budget management oversight, risk management coordination and procurement coordination for the organisation. The Department comprises:

- Accounting which includes strategic financial advice, accounting systems and services, management accounting support and financial reporting;
- Rates and Valuations which includes property valuations for rating purposes and administration of rate collection; and
- Risk and Procurement which includes contract and quotation management, risk and insurance management and internal audit and regulatory compliance.

Together the teams improve the financial sustainability of Council by pursuing continuous improvement in processes and procedures, pro-actively managing risks, sustainably managing finances and gaining efficiencies through procurements.

Innovation & Council Business

The Innovation and Council Business Department leads organisation wide planning and implementation of good governance, innovation, technology and corporate information management practices. The Department comprises:

- Corporate Planning and Council Business incorporating policy development and review, Council elections, Council meetings, briefings and public presentation coordination, corporate planning and reporting and community engagement to inform the Council Plan and annual initiatives for the Budget;
- Innovation incorporates information technology strategy, policy, planning, project development and delivery, systems management and on-going management of hardware and software; and
- Corporate Information Management incorporates strategy, policies, systems' coordination and operational support to capture, manage and archive corporate records and respond to Freedom of Information requests and Privacy enquiries.

Notes to the Financial Report

For the Year Ended 30 June 2019

Development Services Management

The Development Services Management unit is accountable for ensuring that Council's objectives for the Development Services Directorate are achieved through the following Departments:

- Planning;
- Regulatory Services; and
- Economic Development and Tourism

Together these Departments provide strategic policy advice to Councillors/Administrators to inform their decisions, undertake regional advocacy to facilitate planned growth in the Shire, education and enforcement activities and implement the strategic directions set by Council relevant to the Directorate.

Economic Development and Tourism Management

The Economic Development and Tourism Department strategically plans for and facilitates economic expansion and investment within the Shire by actively promoting and supporting sustainable industry and business and tourism development. The Department manages Council's Coal Creek Community Park & Museum which aims to enhance the liveability of the Shire as the largest cultural heritage site in South Gippsland.

Planning

The Planning Department provides statutory, strategic and social planning services to the community to provide for development, land use and community policy. The Department actively supports planned growth across the municipality, protects and enhances the unique identity and liveability of local districts and advocates to other levels of government and stakeholders for developments that will prosper the Shire.

Regulatory Services

The Regulatory Services Department is responsible for administration, education and enforcement of varied Victorian legislation along with Council's General Local Laws. Services include

- animal management;
- building and planning enforcement;
- fire prevention;
- Local Law development and enforcement;
- Litter prevention;
- permits for places of public entertainment;
- parking control;
- registration of food, health and accommodation premises;
- report and consent applications for new building work;
- school crossings; and
- wastewater.

Community Information

The Community Information Unit plays a pivotal role in raising community awareness of Council services and strategic directions. It creates a working interface between Council, Council Departments and the Community through customer services, media management, publishing material, social media, website management and internal liaison.

People & Culture

People & Culture ensures our people are developed and supported so they have the opportunity to deliver services to the best of their ability for the benefit of the community. The team's contribution to employee and organisation success is achieved through business partnership with Directorates using People & Culture processes and systems; developing employee work environment, mindset and culture; providing People & Culture expertise in role, work design, staffing, professional development, performance, remuneration, recognition, OHS, return to work, and wellbeing.

Notes to the Financial Report

For the Year Ended 30 June 2019

Infrastructure Management

The Infrastructure Directorate is accountable for ensuring that Council's objectives for the Directorate are achieved through the following Departments:

- Infrastructure Planning;
- Infrastructure Delivery; and
- Operations.

Together these Departments provide strategic policy advice to Councillors/Administrators to inform their decisions, prepare and deliver the Capital Works Program and Asset Management Plans, along with maintaining infrastructure, parks, gardens and public places.

Infrastructure Planning

The Infrastructure Planning Department assists Council in achieving the objectives of its strategies and plans by providing services that contribute to a closely connected and engaged community.

Services include managing Council's property portfolio (acquisition, disposal, leasing, and licensing of property), planning for and managing Council's building and recreational assets, managing waste disposal services, and promotion of a sustainable environment and solutions.

The teams support and partner with a strong volunteer base to deliver a variety of community projects and education programs for all age groups and abilities.

Infrastructure Delivery

The Infrastructure Delivery Department assists Council in achieving the objectives of its strategies and plans by planning for and providing integrated services and community infrastructure. Services include coordinating and delivering Council's civil works design program for community infrastructure, determining future capital / community infrastructure projects for inclusion in the 15 Year Capital Works Program, and delivery of the annual Capital Works Program including community infrastructure projects (Major Capital Projects). The department also delivers a range of services including contract management, preparing funding submissions for community projects, issuing engineering conditions for developments referred from Planning, and managing Council's infrastructure assets which incorporates the collection, management, and analysis of asset data.

Operations

The Operations Department assists Council in achieving the objectives of its strategies and plans by planning for and providing integrated services and infrastructure in order to meet current and future needs of the community. Services include delivering maintenance, construction, replacements and capital programs for roads, streets, drainage, culverts, bridges, parks, gardens, and playgrounds. The Department is also responsible for cleaning Council owned and managed public toilets and BBQ amenities, workshop operations, fleet and plant and the after-hours operations call out service. All services are to be in accordance with the Road Management Act, Road Management Plan, and associated Asset Management Plans.

Notes to the Financial Report

For the Year Ended 30 June 2019

Note 2 Analysis of Council results by program

2 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Corporate and Community Services Management	409	3,716	(3,307)	316	1,358
Community Services	2,282	3,535	(1,253)	1,928	-
Finance, Risk & Procurement	46,904	6,464	40,440	6,444	41,436
Innovation & Council Business	-	2,822	(2,822)	-	1,212
Development Services Management	948	1,361	(413)	74	-
Economic Development & Tourism Management	277	1,503	(1,226)	-	-
Planning	942	1,530	(588)	117	-
Regulatory Services	1,112	1,763	(651)	80	-
Executive Services	-	1,106	(1,106)	-	-
Community Information	-	776	(776)	-	-
People & Culture	343	1,331	(988)	-	-
Infrastructure Management	-	262	(262)	-	-
Infrastructure Planning	6,349	11,511	(5,162)	368	551,007
Infrastructure Delivery	7,348	13,615	(6,267)	6,888	-
Operations	4,532	14,455	(9,923)	3,681	266
Unattributed	-	-	-	-	-
	71,446	65,750	5,696	19,896	595,279

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Corporate and Community Services Management	352	3,377	(3,025)	275	1,237
Community Services	2,601	3,072	(471)	2,134	-
Finance, Risk & Procurement	44,603	3,671	40,932	5,929	36,158
Innovation & Council Business	2	2,759	(2,757)	-	1,125
Development Services Management	903	1,185	(282)	-	-
Economic Development & Tourism Management	212	1,441	(1,229)	8	-
Planning	592	1,474	(882)	45	-
Regulatory Services	1,113	1,695	(582)	65	-
Executive Services	50	589	(539)	-	-
Community Information	-	714	(714)	-	-
People & Culture	335	1,259	(924)	-	-
Infrastructure Management	-	317	(317)	-	-
Infrastructure Planning	5,951	9,131	(3,180)	247	518,968
Infrastructure Delivery	8,103	15,065	(6,962)	7,866	-
Operations	4,552	16,122	(11,570)	3,629	310
Unattributed	-	-	-	-	-
	69,369	61,871	7,498	20,198	557,798

Notes to the Financial Report

For the Year Ended 30 June 2019

Note 3 Funding for the delivery of our services

3.1 Rates and charges

2019
\$'000

2018
\$'000

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The capital value of a property is the value that it could be reasonably expected to sell for on the open market.

The valuation base used to calculate general rates for 2018/19 was \$8,080 million (2017/18 \$7,625 million).

General rates	38,714	37,688
Waste management charge	3,159	2,824
Special rates and charges	5	-
Supplementary rates and rate adjustments	227	200
Interest on rates and charges	175	166
Revenue in lieu of rates	186	181
Total rates and charges	42,466	41,059

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.

3.2 Statutory fees and fines

Land information certificates	39	43
Local laws	107	139
Building services	183	104
Statutory planning	532	428
Supervision fees	82	30
Others	12	60
Total statutory fees and fines	955	804

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

3.3 User fees

Aged and health services	617	785
Leisure centre and recreation	75	67
Local laws	420	436
Waste management services	2,264	2,179
Caravan parks	918	870
Other fees and charges	164	139
Total user fees	4,458	4,476

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

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	14,679	16,739
State funded grants	5,217	3,459
Total grants received	19,896	20,198

(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	9,865	9,500
Immunisation	3	1
Home & Community Care	766	978

Recurrent - State Government

Valuation Services	198	9
Family and children	234	202
Home & Community Care	495	583
School crossing supervision	72	54
Community building	120	115
Community health	7	3
Immunisation	12	24
Maternal & child health	395	316
Other	33	21
Total recurrent operating grants	12,200	11,806

Notes to the Financial Report

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
Non-recurrent - Commonwealth Government		
Local Roads & Infrastructure	1,943	1,943
Sustainability	85	-
Recreation & Leisure	60	-
Non-recurrent - State Government		
Families & Children	20	30
Home & Community Care	4	-
Youth Services	25	82
Fire Services Levy Administration	50	49
Sustainability	133	201
Community Building	54	61
Recreation & Leisure	559	179
Others	232	149
Total non-recurrent operating grants	<u>3,165</u>	<u>2,694</u>
Total operating grants	<u>15,365</u>	<u>14,500</u>
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,657	3,344
Total recurrent capital grants	<u>1,657</u>	<u>3,344</u>
Non-recurrent - Commonwealth Government		
Roads	-	513
Building	-	160
Bridges	300	300
Non-recurrent - State Government		
Roads	1,240	242
Building	375	80
Bridges	309	859
Footpaths	12	-
Other Structures	638	200
Total non-recurrent capital grants	<u>2,874</u>	<u>2,354</u>
Total capital grants	<u>4,531</u>	<u>5,698</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,447	1,320
Received during the financial year and remained unspent at balance date	1,653	961
Received in prior years and spent during the financial year	<u>(1,109)</u>	<u>(834)</u>
Balance at year end	<u>1,991</u>	<u>1,447</u>

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

	2019	2018
	\$'000	\$'000
3.5 (a) Contributions		
Monetary	609	299
Non-monetary	1,185	169
Total contributions	<u>1,794</u>	<u>468</u>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Roads	402	-
Drains	354	137
Kerb & channels	140	-
Car Parks	-	25
Footpaths	289	7
Total non-monetary contributions	<u>1,185</u>	<u>169</u>

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

(b) Found Assets

Found assets were recorded in the following asset classes.

Roads	104	-
Drains	2	-
Car Parks	99	-
Footpaths	1	-
Other	142	-
Total found assets	<u>348</u>	<u>-</u>

Found assets are recorded when discovered by Council during maintenance or capital works.

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

Proceeds of sale	803	-
Written down value of assets disposed	<u>(1,116)</u>	<u>-</u>
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>(313)</u>	<u>203</u>

Notes to the Financial Report

For the Year Ended 30 June 2019

3.7 Other income

	2019 \$'000	2018 \$'000
Interest	648	578
Investment property rental	210	227
Other rent	13	15
Fuel tax credits	112	144
Sales	146	155
Workcover reimbursements	340	334
Other reimbursements	267	420
External private works	8	17
Other	153	122
Total other income	1,897	2,012

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	23,614	21,942
WorkCover	705	569
Superannuation	2,176	2,104
Fringe benefits tax	20	20
Total employee costs	26,515	24,635

(b) Superannuation

	2019 \$'000	2018 \$'000
--	----------------	----------------

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	136	121
	<u>136</u>	<u>121</u>
Employer contributions payable at reporting date.	19	10

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)/Other Funds	2,040	1,982
	<u>2,040</u>	<u>1,982</u>
Employer contributions payable at reporting date.	23	-

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

4.2 Materials and services

Waste Management	3,886	3,458
Leisure Centre Operations	890	870
Contractors General	6,511	6,911
Software Maintenance	1,031	1,094
Landfill Rehabilitation	1,267	720
Great Southern Rail Trail	-	7
Natural disasters	332	158
Materials General	4,691	4,544
Fuel & Oils	964	671
Advertising & Promotion Costs	246	258
Utilities	939	930
Subscriptions, affiliations and conferences	138	154
Leases	201	195
Legal Fees	883	404
Consultancies and projects	565	693
Insurance Premiums	686	644
Plant & Equipment Registrations	126	117
Training expenses	301	292
State levies	902	872
Gippsland Group Training / Labour Hire	173	564
Total materials and services	24,732	23,556

4.3 Depreciation and amortisation

Property	3,123	2,415
Plant and equipment	2,124	1,902
Infrastructure	5,798	5,841
Total depreciation	11,045	10,158
Intangible assets	236	321
Total depreciation and amortisation	11,281	10,479

Refer to notes 5.2(c) and 6.1 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

Notes to the Financial Report

For the Year Ended 30 June 2019

4.4 Bad and doubtful debts	2019 \$'000	2018 \$'000
General debtors provision	22	47
Total bad and doubtful debts	22	47

Movement in provisions for doubtful debts

Balance at the beginning of the year	158	127
New provisions recognised during the year	41	54
Amounts already provided for and written off as uncollectible	(19)	(13)
Amounts provided for but recovered during the year	(20)	(10)
Balance at end of year	<u>160</u>	<u>158</u>

Provision for doubtful debt is recognised based on an expected credit loss model. This model considers both historic and forward looking information in determining the level of impairment.

4.5 Borrowing costs

Interest - Borrowings	142	143
Total borrowing costs	142	143

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

4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	60	57
Auditors' remuneration - Internal	51	57
Councillors' allowances	295	304
Library contributions	1,409	1,382
Community & Sporting grants	974	951
Bank Fees & Charges	269	260
Total other expenses	3,058	3,011

Note 5 Our financial position	2019 \$'000	2018 \$'000
5.1 Financial assets		
(a) Cash and cash equivalents		
Cash on hand	3	3
Cash at bank	3,000	1,107
Money market call accounts	3,997	3,348
Term deposits	-	1,000
Total cash and cash equivalents	7,000	5,458
(b) Other financial assets		
Term deposits - current	28,273	24,266
Total other financial assets	28,273	24,266
Total financial assets	35,273	29,724

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

- Trust funds and deposits (Note 5.3)	1,025	911
Total restricted funds	1,025	911
Total unrestricted cash and cash equivalents	5,975	4,547

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	11,865	6,931
- grants recognised as revenue and obtained on the condition that they be expended in a specified manner that had not occurred at balance date (Note 3.4c)	1,991	1,447
- reserve funds allocated for specific future purpose (Note 9.1b)	4,979	4,404
Total funds subject to intended allocations	18,835	12,782

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

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

Notes to the Financial Report

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	3,012	2,851
Special rate assessment	12	14
Net GST receivable	548	418
<i>Non statutory receivables</i>		
Other debtors	2,106	2,485
Provision for doubtful debts - other debtors	(160)	(158)
Total current trade and other receivables	<u>5,518</u>	<u>5,610</u>
Total trade and other receivables	<u>5,518</u>	<u>5,610</u>

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

(d) Ageing of Receivables

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

Current (not yet due)	543	914
Past due by up to 30 days	1,219	1,130
Past due between 31 and 180 days	171	196
Past due between 181 and 365 days	18	81
Past due by more than 1 year	10	6
Total trade and other receivables	<u>1,961</u>	<u>2,327</u>

(e) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$145K (2018: \$158K) were impaired. The amount of the provision raised against these debtors was \$160K (2018: \$158K). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	-
Past due between 181 and 365 days	-	-
Past due by more than 1 year	145	158
Total trade & other receivables	<u>145</u>	<u>158</u>

Notes to the Financial Report

For the Year Ended 30 June 2019

5.2 Non-financial assets	2019	2018
(a) Inventories	\$'000	\$'000
Inventories held for distribution	240	281
Total inventories	240	281

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	58	61
Total other assets	58	61

(c) Intangible assets

Landfill air space	705	940
Total intangible assets	705	940

Landfill \$'000

Gross carrying amount

Balance at 1 July 2018	2,167
Additions from internal developments	-
Other additions	1
Disposals	(820)
Balance at 1 July 2019	1,348

Accumulated amortisation and impairment

Balance at 1 July 2018	(1,227)
Amortisation expense	(236)
Accumulated depreciation of disposals	820
Balance at 1 July 2019	(643)

Net book value at 30 June 2018	940
Net book value at 30 June 2019	705

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.

5.3 Payables	2019	2018
(a) Trade and other payables	\$'000	\$'000
Trade payables	2,357	2,225
Accrued expenses	1,146	1,658
Total trade and other payables	3,503	3,883

(b) Trust funds and deposits

Refundable deposits	130	132
Fire services levy	349	393
Retention amounts	268	83
Other refundable deposits	278	303
Total trust funds and deposits	1,025	911

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 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.

Other refundable deposits - Other deposits held in trust.

Notes to the Financial Report

For the Year Ended 30 June 2019

5.4 Interest-bearing liabilities	2019	2018
	\$'000	\$'000
Current		
Borrowings - secured	3,350	-
	<u>3,350</u>	<u>-</u>
Non-current		
Borrowings - secured	-	3,350
	<u>-</u>	<u>3,350</u>
Total	<u>3,350</u>	<u>3,350</u>

Borrowings are secured by the general rates of the Council

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

Not later than one year	3,350	-
Later than one year and not later than five years	-	3,350
Later than five years	-	-
	<u>3,350</u>	<u>3,350</u>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis 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 over the period of the borrowing using the effective interest method.

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

5.5 Provisions

	Employee	Landfill restoration	Total
	\$ '000	\$ '000	\$ '000
2019			
Balance at beginning of the financial year	6,714	2,868	9,582
Additional provisions	2,052	1,170	3,222
Amounts used	(2,458)	(842)	(3,300)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	80	(21)	59
Balance at the end of the financial year	<u>6,388</u>	<u>3,175</u>	<u>9,563</u>
2018			
Balance at beginning of the financial year	6,853	1,861	8,714
Additional provisions	2,077	1,026	3,103
Amounts used	(2,210)	(19)	(2,229)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(6)	-	(6)
Balance at the end of the financial year	<u>6,714</u>	<u>2,868</u>	<u>9,582</u>

Notes to the Financial Report

For the Year Ended 30 June 2019

	2019	2018
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,545	1,685
Rostered days	212	188
Long service leave	1,533	1,470
	<u>3,290</u>	<u>3,343</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	625	757
Long service leave	1,876	1,830
	<u>2,501</u>	<u>2,587</u>
Total current employee provisions	<u>5,791</u>	<u>5,930</u>
Non-current		
Long service leave	597	784
Total non-current employee provisions	<u>597</u>	<u>784</u>
Aggregate carrying amount of employee provisions:		
Current	5,791	5,930
Non-current	597	784
Total aggregate carrying amount of employee provisions	<u>6,388</u>	<u>6,714</u>

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	1.042%	2.080%
- index rate	4.313%	3.875%

	2019	2018
	\$'000	\$'000
(b) Landfill restoration		
Current	105	801
Non-current	3,070	2,067
	<u>3,175</u>	<u>2,868</u>

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

Key assumptions:

- discount rate	1.263%	2.550%
- index rate	2.000%	2.000%

5.6 Financing arrangements

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

Bank overdraft	500	500
Credit card facilities	350	350
Total facilities	<u>850</u>	<u>850</u>
Used facilities	(40)	(51)
Unused facilities	<u>810</u>	<u>799</u>

Notes to the Financial Statements

For the Year Ended 30 June 2019

5.7 Commitments

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

2019	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not	years and not		
	\$'000	later than 2	later than 5	years	\$'000
		years	years	\$'000	
Operating					
Transfer Stations	86	-	-	-	86
Litter Bins	194	-	-	-	194
Kerbside Garbage	1,429	-	-	-	1,429
Libraries	1,443	-	-	-	1,443
General Materials & Services	548	136	81	29	794
Equipment Hire	7	-	-	-	7
Maintenance Contracts	21	-	-	-	21
Construction Contracts	339	-	-	-	339
Total	4,067	136	81	29	4,313
Capital					
Buildings	985	-	-	-	985
Plant, machinery and equipment	315	-	-	-	315
Computer and Telecommunications	27	-	-	-	27
Bridges	171	-	-	-	171
Roads	1,863	-	-	-	1,863
Footpaths	194	-	-	-	194
Drainage	33	-	-	-	33
Other Structures	175	-	-	-	175
Total	3,763	-	-	-	3,763

2018	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not	years and not		
	\$'000	later than 2	later than 5	years	\$'000
		years	years	\$'000	
Operating					
Transfer Stations	318	-	-	-	318
Litter Bins	189	-	-	-	189
Kerbside Garbage	2,143	1,429	-	-	3,572
Libraries	1,809	-	-	-	1,809
General Materials & Services	692	-	-	-	692
Equipment Hire	34	-	-	-	34
Maintenance Contracts	133	-	-	-	133
Construction Contracts	3,452	-	-	-	3,452
Total	8,770	1,429	-	-	10,199
Capital					
Buildings	233	-	-	-	233
Computer and Telecommunications	65	-	-	-	65
Bridges	1,012	-	-	-	1,012
Roads	1,105	-	-	-	1,105
Footpaths	18	-	-	-	18
Other Structures	264	-	-	-	264
Total	2,697	-	-	-	2,697

	2019	2018
	\$'000	\$'000

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	102	156
Later than one year and not later than five years	178	47
Later than five years	-	-
	<u>280</u>	<u>203</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2019

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018 \$'000	Additions \$'000	Contributions \$'000	Found assets \$'000	Revaluation \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	At Fair Value 30 June 2019 \$'000
Property	130,473	-	-	-	-	(3,123)	(199)	674	127,825
Plant and equipment	8,859	-	-	-	-	(2,124)	(591)	2,196	8,340
Infrastructure	373,668	-	1,185	348	32,070	(5,798)	(326)	10,781	411,928
Work in progress	6,182	10,916	-	-	-	-	-	(13,651)	3,447
	519,182	10,916	1,185	348	32,070	(11,045)	(1,116)	-	551,540

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Property	173	1,015	(315)	873
Plant and equipment	528	1,758	(2,196)	90
Infrastructure	5,481	8,143	(11,140)	2,484
Total	6,182	10,916	(13,651)	3,447

Notes to the Financial Statements

For the Year Ended 30 June 2019

(a) Property

	Land - specialised	Land under roads	Total Land	Heritage buildings	Buildings - specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	48,354	35,153	83,507	5,169	133,450	138,619	173	222,299
Accumulated depreciation at 1 July 2018	-	-	-	(3,676)	(87,977)	(91,653)	-	(91,653)
	48,354	35,153	83,507	1,493	45,473	46,966	173	130,646
Movements in fair value								
Additions	-	-	-	-	-	-	1,015	1,015
Disposal	(199)	-	(199)	-	-	-	-	(199)
Transfers	-	-	-	-	674	674	315	359
	(199)	-	(199)	-	674	674	700	1,175
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	(52)	(3,071)	(3,123)	-	(3,123)
	-	-	-	(52)	(3,071)	(3,123)	-	3,123
At fair value 30 June 2019	48,155	35,153	83,308	5,169	134,124	139,293	873	223,474
Accumulated depreciation at 30 June 2019	-	-	-	(3,728)	(91,048)	(94,776)	-	(94,776)
	48,155	35,153	83,308	1,441	43,076	44,517	873	128,698

Notes to the Financial Statements

For the Year Ended 30 June 2019

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Work in Progress \$'000	Total plant and equipment \$'000
At fair value 1 July 2018	14,260	200	3,621	528	18,609
Accumulated depreciation at 1 July 2018	(6,555)	(171)	(2,496)	-	(9,222)
	7,705	29	1,125	528	9,387
Movements in fair value					
Additions	-	-	-	1,758	1,758
Disposal	(1,368)	-	(1,152)	-	(2,520)
Transfers	1,277	-	919	(2,196)	-
	(91)	-	(233)	(438)	(762)
Movements in accumulated depreciation					
Depreciation and amortisation	(1,299)	(3)	(822)	-	(2,124)
Accumulated depreciation of disposals	787	-	1,142	-	1,929
	(512)	(3)	320	-	(195)
At fair value 30 June 2019	14,169	200	3,388	90	17,847
Accumulated depreciation at 30 June 2019	(7,067)	(174)	(2,176)	-	(9,417)
	7,102	26	1,212	90	8,430

Notes to the Financial Statements

For the Year Ended 30 June 2019

(c) Infrastructure

	Roads	Bridges	Major culverts	Footpaths & cycleways	Kerb & channel	Off street car parks	Drainage	Waste Management	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	328,954	53,481	13,520	16,692	18,389	6,671	40,122	5,716	11,872	5,481	500,898
Accumulated depreciation at 1 July 2018	(60,152)	(27,935)	(5,400)	(1,621)	(1,102)	(425)	(16,048)	(3,185)	(5,881)	-	(121,749)
	268,802	25,546	8,120	15,071	17,287	6,246	24,074	2,531	5,991	5,481	379,149
Movements in fair value											
Additions	-	-	-	-	-	-	-	-	-	8,143	8,143
Contributions	402	-	-	289	140	-	354	-	-	-	1,185
Found assets	104	-	-	1	-	99	2	-	142	-	348
Revaluation	21,042	1,690	-	-	-	-	-	-	-	-	22,732
Disposal	(375)	-	-	(26)	-	-	(1)	(1,543)	(9)	-	(1,954)
Transfers	7,591	1,099	287	363	24	129	174	130	984	(11,140)	(359)
	28,764	2,789	287	627	164	228	529	(1,413)	1,117	(2,997)	30,095
Movements in accumulated depreciation											
Depreciation and amortisation	(3,235)	(375)	(114)	(238)	(154)	(51)	(337)	(460)	(834)	-	(5,798)
Accumulated depreciation of disposals	77	-	-	5	-	-	-	1,543	3	-	1,628
Revaluation	21,057	(11,719)	-	-	-	-	-	-	-	-	9,338
Transfers	-	26	(26)	-	-	-	-	-	-	-	-
	17,899	(12,068)	(140)	(233)	(154)	(51)	(337)	1,083	(831)	-	5,168
At fair value 30 June 2019	357,718	56,270	13,807	17,319	18,553	6,899	40,651	4,303	12,989	2,484	530,993
Accumulated depreciation at 30 June 2019	(42,253)	(40,003)	(5,540)	(1,854)	(1,256)	(476)	(16,385)	(2,102)	(6,712)	-	(116,581)
	315,465	16,267	8,267	15,465	17,297	6,423	24,266	2,201	6,277	2,484	414,412

Fair value and accumulated depreciation as at 1 July 2018 have been restated from the previous reporting period in the roads, major culverts, footpaths & cycleways, kerb & channel and drainage infrastructure classes. Refer to Note 9.4 for further information about the restatement.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	No Threshold
land improvements	-	10
Buildings		
heritage buildings	100 years	15
buildings	20 to 50 years	15
building and leasehold improvements	20 to 50 years	15
Plant and Equipment		
plant, machinery and equipment	1 to 20 years	No Threshold
fixtures, fittings and furniture	1 to 5 years	15
computers, software and telecommunications	1 to 5 years	15
Infrastructure		
roads - pavements and substructure	130 years	No Threshold
roads - seals	15 to 25 years	No Threshold
roads - formation and earthworks	-	No Threshold
roads - kerb and channel	120 years	15
bridges	150 years	15
major culverts	120 years	15
footpath and cycleways	90 years	15
off street car parks pavement	130 years	15
off street car parks seal	15 years	15
drainage	120 years	15
waste management	4 to 50 years	15
other structures	10 to 40 years	15
Intangible assets		
land fill air space	4 to 6 years	No Threshold

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

Leasehold improvements

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

Notes to the Financial Statements

For the Year Ended 30 June 2019

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified valuer Andrew Begg, AAPI (council employee). 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. No revaluation was conducted in the current year, however assets have been reviewed and no abnormal changes in values were observed. A full revaluation of these assets will be conducted in 2019/20.

Details of the Council's land and buildings and information about the fair value hierarchy (see Note 8.4) as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Specialised land	-	-	48,155	30/06/2018
Land under roads	-	-	35,153	30/06/2018
Heritage buildings	-	-	1,441	30/06/2018
Specialised buildings	-	2,043	41,033	30/06/2018
Total	-	2,043	125,782	

Valuation of infrastructure

Valuation of infrastructure assets has been performed by Tony Peterson, BE Civil Engineering (Council employee).

The date of the current valuation is detailed in the following table. A revaluation of roads and bridges was conducted in 2018-19. No revaluation for the remaining classes were conducted in the current year, however assets have been reviewed and no abnormal changes in values were observed, full revaluation of these assets will be conducted in 2019/20.

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

During 2018-19, management changed the unit of measure in estimating the value of the pavement and substructure component of the roads asset class from m3 to m2.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	315,465	30/06/2019
Bridges	-	-	16,267	30/06/2019
Major culverts	-	-	8,267	30/06/2018
Footpaths & cycleways	-	-	15,465	30/06/2018
Kerb & channel	-	-	17,297	30/06/2018
Off street car parks	-	-	6,423	30/06/2018
Drainage	-	-	24,266	30/06/2018
Other infrastructure	-	-	6,277	30/06/2018
Total	-	-	409,727	

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 10% 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 \$423 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 are calculated on a square metre basis and ranges from \$225 to \$8,500 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 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 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 4 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 infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2019 \$'000	2018 \$'000
Reconciliation of specialised land		
Land under roads	35,153	35,153
Parks and reserves	48,155	48,354
Total specialised land	83,308	83,507

Notes to the Financial Statements

For the Year Ended 30 June 2019

	2019 \$'000	2018 \$'000
6.2 Investments in associates, joint arrangements and subsidiaries		
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
- West Gippsland Regional Library Corporation	1,358	1,237
West Gippsland Regional Library Corporation		
<i>Background</i>		
Council has a 30.55% equity interest in the West Gippsland Regional Library Corporation in 2018/19 (30.55% in 2017/18). The equity interest is calculated based on the proportion it contributes to the operating costs of the services.		
Fair value of Council's investment in West Gippsland Regional Library Corporation	<u>1,358</u>	<u>1,237</u>
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus(deficit) at start of year	909	837
Reported surplus(deficit) for year	121	115
Transfers (to) from reserves	16	(43)
Council's share of accumulated surplus(deficit) at end of year	<u>1,046</u>	<u>909</u>
Council's share of reserves		
Council's share of reserves at start of year	328	285
Transfers (to) from reserves	(16)	43
Council's share of reserves at end of year	<u>312</u>	<u>328</u>
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,237	1,122
Share of surplus(deficit) for year	121	115
Carrying value of investment at end of year	<u>1,358</u>	<u>1,237</u>
Council's share of expenditure commitments		
Operating commitments	7	12
Council's share of expenditure commitments	<u>7</u>	<u>12</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.

6.3 Investment property

Balance at beginning of financial year	763	729
Fair value adjustments	(176)	34
Balance at end of financial year	<u>587</u>	<u>763</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property as at 30 June 2019 has been determined in accordance with a valuation by Andrew Begg, AAPI (Council Employee) who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 7 People and relationships	2019	2018
7.1 Council and key management remuneration	No.	No.
(a) Related Parties		
<i>Parent entity</i>		
South Gippsland Shire Council		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in Note 6.2.		
(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:		
Administrators	Julie Eisenbise (from 22 June 2019)	1
Councillors	Councillor Lorraine Brunt (to 31 March 2019) (Mayor to 21 November 2018)	1
	Councillor Don Hill (to 21 June 2019) (Mayor from 21 November 2018)	1
	Councillor Aaron Brown (to 12 June 2019)	1
	Councillor Ray Argento (to 21 June 2019)	1
	Councillor Alyson Skinner (to 21 June 2019)	1
	Councillor Jeremy Rich (to 9 May 2019)	1
	Councillor Maxine Kiel (to 26 September 2018)	1
	Councillor Meg Edwards (to 30 October 2018)	1
	Councillor Andrew McEwen (to 21 June 2019)	1
	Councillor Rosemary Cousin (from 31 October 2018 to 21 June 2019)	1
	Councillor James Fawcett (from 13 November 2018 to 31 March 2019)	1
	Councillor Steve Finlay (from 10 April 2019 to 21 June 2019)	1
	Councillor Frank Hirst (from 10 April 2019 to 21 June 2019)	1
	Councillor Matt Sherry (from 5 June 2019 to 21 June 2019)	1
Chief Executive Officer and other Key Management Personnel	Chief Executive Officer (to 24 May 2019)	1
	Director - Corporate & Community	1
	Director - Infrastructure	1
	Director - Development Services (and Acting Chief Executive Officer from 24 May 2019)	1
		1
Total Number of Administrators	1	-
Total Number of Councillors	14	9
Total of Chief Executive Officer and other Key Management Personnel	4	4
Total Number of Key Management Personnel	19	13
(c) Remuneration of Key Management Personnel		
Total remuneration of key management personnel was as follows:		
	\$'000	\$'000
Short-term benefits	1,195	1,165
Long-term benefits	34	22
Post-employment benefits	82	78
Total	1,311	1,292
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	No.	No.
\$1 - \$9,999	6	-
\$10,000 - \$19,999	2	-
\$20,000 - \$29,999	5	7
\$40,000 - \$49,999	1	1
\$60,000 - \$69,999	1	1
\$210,000 - \$219,999	1	2
\$220,000 - \$229,999	1	-
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	1	-
\$300,000 - \$309,999	1	1
	19	13
(d) Senior Officer Remuneration		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$148,000		
The number of Senior Officers are shown below in their relevant income bands:		
	2019	2018
Income Range:	No.	No.
Below \$148,000	5	5
\$148,000 - \$149,999	-	-
\$150,000 - \$159,999	4	2
\$160,000 - \$169,999	2	3
\$170,000 - \$179,999	1	1
	12	11
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to	1,548	1,555

Notes to the Financial Statements

For the Year Ended 30 June 2019

7.2 Related party disclosure

(a) Transactions with related parties

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

Key Management Personnel (KMP) name	Supplier/Entity	Nature of Transactions (on normal commercial terms)	Transaction Amount \$
Payments			
Jeremy Rich - Ex Councillor	Ansevata Nominees Pty. Ltd.	Settlement in full for dispute regarding the retarding basin at Walkerville	249,000

Council made contributions to West Gippsland Regional Library Corporation in 2019 of \$1.4M (2018 - \$1.4).

All transactions are in line with normal commercial practice.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

There were 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

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party was \$1.4M (2018 - \$1.8M) in relation to the West Gippsland Regional Library Corporation.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its investment and other properties. These properties consist of surplus land and building, including two caravan parks and a quarry. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

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

	2019 \$'000	2018 \$'000
Not later than one year	223	102
Later than one year and not later than five years	654	268
Later than five years	325	325
	1,202	695

(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 in Note 9.3. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

Landfill

Council operates a landfill. Council will have to carry out site rehabilitation works in the future. At balance date, Council has made necessary provisions for rehabilitation of Landfills that are currently in operation. However, the estimates of provision required is dependent on the accuracy of the forecast, timing of work, work required and related costs.

Liability Mutual Insurance (where applicable)

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

(c) Guarantees

Council has the following bank guarantees with Commonwealth Bank of Australia for contract performance and security deposits.

Description	Favouree	Amount
Contract Performance Guarantee	South Gippsland Regional Water Board	\$40,000
Contract Performance Guarantee	Department of Energy an Minerals	\$15,000
Contract Performance Guarantee	Department of Natural Resources & Environment	\$20,000
Security Deposit Guarantee	Environment Protection Authority	\$425,000
Security Deposit Guarantee	State of Victoria - Environment	\$451,296
Total		\$951,296

Guarantees are not recognised as a liability in the balance sheet unless the favouree 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.

8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$254K in lease related assets and an equivalent liability

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

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

(c) Credit risk

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

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 8.1(b).

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

Notes to the Financial Statements

For the Year Ended 30 June 2019

(d) Liquidity risk

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

To help reduce these risks Council:

- have 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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

(e) Sensitivity disclosure analysis

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

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

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.

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis every 2 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.

Notes to the Financial Statements

For the Year Ended 30 June 2019

Impairment of assets

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

8.5 Events occurring after balance date

After balance date, two additional administrators (Rick Brown and Christian Zahra) were appointed effective 24 July 2019. No other matters have occurred after balance date that require disclosure in the financial report.

Note 9 Other matters

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2019			
Property			
Land & land improvements	34,189	-	34,189
Land under roads	7,109	-	7,109
Investment in associates	194	-	194
Buildings	28,240	-	28,240
Heritage buildings	727	-	727
Plant & Equipment	386	-	386
	<u>70,845</u>	<u>-</u>	<u>70,845</u>
Infrastructure			
Roads	191,189	42,099	233,288
Bridges	13,012	(10,029)	2,983
Major Culverts	4,727	-	4,727
Drainage	10,957	-	10,957
Footpaths and cycleways	5,743	-	5,743
Kerb & Channel	12,339	-	12,339
Car parks	5,033	-	5,033
Other infrastructure	2,233	-	2,233
	<u>245,233</u>	<u>32,070</u>	<u>277,303</u>
Total asset revaluation reserves	<u>316,078</u>	<u>32,070</u>	<u>348,148</u>
2018			
Property			
Land & land improvements	31,087	3,102	34,189
Land under roads	4,922	2,187	7,109
Investment in associates	194	-	194
Buildings	25,922	2,318	28,240
Heritage buildings	470	257	727
Plant & Equipment	386	-	386
	<u>62,981</u>	<u>7,864</u>	<u>70,845</u>
Infrastructure			
Roads	200,532	(9,343)	191,189
Bridges	24,520	(11,508)	13,012
Major Culverts	5,069	(342)	4,727
Drainage	12,225	(1,268)	10,957
Footpaths and cycleways	8,292	(2,549)	5,743
Kerb & Channel	12,302	37	12,339
Car parks	2,944	2,089	5,033
Other infrastructure	675	1,558	2,233
	<u>266,559</u>	<u>(21,326)</u>	<u>245,233</u>
Total asset revaluation reserves	<u>329,540</u>	<u>(13,462)</u>	<u>316,078</u>

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

Notes to the Financial Statements

For the Year Ended 30 June 2019

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2019				
Public Open Space	-	239	(226)	13
Caravan Parks Reserve	-	1,054	(1,054)	-
General Reserve	1,705	451	(708)	1,448
Corner Inlet Reserve	19	1	(2)	18
Loan Reserve	2,680	670	-	3,350
Venus Bay Surf Life Saving Club	-	150	-	150
Total Other reserves	4,404	2,565	(1,990)	4,979
2018				
Public Open Space	-	58	(58)	-
Caravan Parks Reserve	-	995	(995)	-
General Reserve	1,280	425	-	1,705
Corner Inlet Reserve	19	-	-	19
Loan Reserve	2,010	670	-	2,680
Venus Bay Surf Life Saving Club	-	-	-	-
Total Other reserves	3,309	2,148	(1,053)	4,404

Public Open Space

Statutory reserve to be used for the future development of land for public purposes.

Caravan Parks Reserve

Reserve created for future funding of Caravan Parks projects

General Reserve

Reserve to provide for likely defined benefit superannuation funding calls and unforeseen and unavoidable future costs.

Loan Reserve

Reserve created to repay outstanding Loan at the end of its term.

Corner Inlet Reserve

Reserve for maintenance of a seawall to protect private lands from flooding.

Venus Bay Surf Life Saving Club

Reserve to hold funds from a community capital works allocation to allow the club time to attract further funding from other

Notes to the Financial Statements

For the Year Ended 30 June 2019

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	2019	2018
	\$'000	\$'000
Surplus/(deficit) for the year	5,696	7,498
Depreciation/amortisation	11,281	10,479
Borrowing costs	142	143
Profit/(loss) on disposal of property, infrastructure, plant and equipment	313	(203)
Investment in associates	(121)	(115)
Fair value adjustments for investment property	176	(34)
Contributions - Non-monetary assets	(1,185)	(169)
Found assets	(348)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	92	(1,161)
(Increase)/Decrease in prepayments	3	(19)
(Increase)/decrease in inventories	41	23
Increase/(decrease) in trust funds and deposits	114	12
Increase/(decrease) in trade and other payables	(380)	(129)
Increase/(decrease) in employee entitlements	(326)	(139)
Increase/(decrease) in landfill provision	306	701
Net cash provided by/(used in) operating activities	15,804	16,887

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

Council does not use defined benefit accounting for its defined benefit obligations under the Fund's Defined Benefit category. This is because the Fund's Defined Benefit category is a pooled multi-employer sponsored plan. There is no proportional split of the defined benefit liabilities, assets or costs between the participating employers as the defined benefit obligation is a floating obligation between the participating employers and the only time that the aggregate obligation is allocated to specific employers is when a call is made. As a result, the level of participation of Council in the Fund cannot be measured as a percentage compared with other participating employers. Therefore, the Fund Actuary is unable to allocate benefit liabilities, assets and costs between employers for the purposes of AASB 119.

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. To determine the VBI, the Fund Actuary used the following long-term assumptions:

Net investment returns 6.0% pa
Salary information 3.5% pa
Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at June 2019 was 107.1%.

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

Defined benefit 2018 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a full actuarial investigation was conducted as at 30 June 2017.

The Fund's actuarial investigations identified the following for the Defined Benefit category of which Council is a contributing employer:

	2018	2017
	\$m	\$m
VBI surplus	131.9	69.8
Total service liability surplus	218.3	193.5
Discounted accrued benefits surplus	249.1	228.8

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

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed by Council on 438 - 25 September 2019

Notes to the Financial Statements

For the Year Ended 30 June 2019

9.4 Correction of prior period error

Due to an error in the asset management system processes, Council inadvertently overstated the value of certain infrastructure asset additions in its financial statements for the 2017-18 reporting period.

Council has since adjusted the error. The impact of the restatement in the financial statements is as follows:

	2018 as previously presented \$'000	Adjustment \$'000	2018 as restated \$'000
Impact of change on the comprehensive income statement			
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	(6,567)	(6,895)	(13,462)
Total Comprehensive result	<u>931</u>	<u>(6,895)</u>	<u>(5,964)</u>
Impact of change on the balance sheet			
Property, infrastructure, plant and equipment	526,077	(6,895)	519,182
Total non-current assets	<u>529,017</u>	<u>(6,895)</u>	<u>522,122</u>
Total assets	<u>564,693</u>	<u>(6,895)</u>	<u>557,798</u>
Net Assets	<u>546,967</u>	<u>(6,895)</u>	<u>540,072</u>
Equity			
Accumulated surplus	219,590	-	219,590
Reserves	327,377	(6,895)	320,482
Total Equity	<u>546,967</u>	<u>(6,895)</u>	<u>540,072</u>

Impact of change on the statement of equity

	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2018				
Balance at beginning of the financial year	546,036	213,187	329,540	3,309
Surplus/(deficit) for the year	7,498	7,498	-	-
Net asset revaluation increment/(decrement) as previously presented	(6,567)	-	(6,567)	-
Adjustment	(6,895)	-	(6,895)	-
Net asset revaluation increment/(decrement) as restated	(13,462)	-	(13,462)	-
Transfers to other reserves	-	(2,148)	-	2,148
Transfers from other reserves	-	1,053	-	(1,053)
Balance at end of the financial year	<u>540,072</u>	<u>219,590</u>	<u>316,078</u>	<u>4,404</u>





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