

SOUTH GIPPSLAND SHIRE COUNCIL

Annual Financial Report

FOR THE YEAR ENDED 30 JUNE 2018



*South Gippsland
Shire Council*

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Certification of the Financials Statements

For the Year Ended 30 June 2018

DELIBERATELY LEFT BLANK FOR SIGNED AUDIT REPORT

Certification of Financials Statements

For the Year Ended 30 June 2018

DELIBERATELY LEFT BLANK FOR SIGNED AUDIT REPORT

Certification of Financials Statements

For the Year Ended 30 June 2018

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Comprehensive Income Statement

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	41,059	40,004
Statutory fees and fines	2.2	804	769
User fees	2.3	4,476	4,134
Grants - operating	2.4	14,500	17,473
Grants - capital	2.4	5,698	7,805
Contributions - monetary	2.5	299	509
Contributions - non monetary	2.5	169	403
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	203	(18)
Fair value adjustments for investment property	5.3	34	-
Share of net profits (or loss) of associates	5.2	115	131
Other income	2.7	2,012	2,138
Total income		69,369	73,348
Expenses			
Employee costs	3.1	24,635	23,832
Materials and services	3.2	23,556	21,920
Depreciation	3.3	10,479	11,651
Bad and doubtful debts	3.4	47	43
Borrowing costs	3.5	143	142
Other expenses	3.6	3,011	2,900
Total expenses		61,871	60,488
Surplus for the year		7,498	12,860
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	5.1	(6,567)	-
Total comprehensive result		931	12,860

Balance Sheet

As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	5,458	9,701
Trade and other receivables	4.1	5,610	4,449
Other financial assets	4.1	24,266	16,581
Inventories	4.2	281	304
Other assets	4.2	61	42
Total current assets		35,676	31,077
Non-current assets			
Investments in associates	5.2	1,237	1,122
Property, infrastructure, plant and equipment	5.1	527,017	530,083
Investment property	5.3	763	729
Total non-current assets		529,017	531,934
Total assets		564,693	563,011
Liabilities			
Current liabilities			
Trade and other payables	4.3	3,883	4,012
Trust funds and deposits	4.3	911	899
Provisions	4.5	6,731	6,110
Total current liabilities		11,525	11,021
Non-current liabilities			
Provisions	4.5	2,851	2,604
Interest-bearing liabilities	4.4	3,350	3,350
Total non-current liabilities		6,201	5,954
Total liabilities		17,726	16,975
Net assets		546,967	546,036
Equity			
Accumulated surplus		219,590	213,187
Reserves	8.1	327,377	332,849
Total Equity		546,967	546,036

Statement of Changes in Equity

For the Year Ended 30 June 2018

	Note	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 for the year		7,498	7,498	-	-
Net asset revaluation increment/(decrement)	8.1(a)	(6,567)		(6,567)	-
Transfers to other reserves	8.1(b)	-	(2,148)	-	2,148
Transfers from other reserves	8.1(b)	-	1,053	-	(1,053)
Balance at end of the financial year		546,967	219,590	322,973	4,404

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
2017					
Balance at beginning of the financial year		533,176	201,398	329,540	2,238
Surplus for the year		12,860	12,860	-	-
Transfers to other reserves	8.1(b)	-	(2,046)	-	2,046
Transfers from other reserves	8.1(b)	-	975	-	(975)
Balance at end of the financial year		546,036	213,187	329,540	3,309

Statement of Cash Flows

For the Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		40,956	39,598
Statutory fees and fines		804	769
User fees		3,421	4,467
Grants - operating		14,500	17,473
Grants - capital		5,698	7,805
Contributions - monetary		299	510
Interest received		702	592
Trust funds and deposits taken		82	165
Other receipts		1,434	2,036
Net GST refund		2,631	3,143
Employee costs		(24,774)	(23,445)
Materials and services		(25,674)	(24,649)
Trust funds and deposits repaid		(45)	(139)
Other payments		(3,011)	(2,881)
Net cash provided by/(used in) operating activities	8.2	17,024	25,444
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(14,293)	(18,772)
Proceeds from sale of property, infrastructure, plant and equipment		854	1,505
Payments for investments		(7,685)	(1,265)
Net cash provided by/(used in) investing activities		(21,124)	(18,532)
Cash flows from financing activities			
Finance costs		(143)	(142)
Net cash provided by/(used in) financing activities		(143)	(142)
Net increase (decrease) in cash and cash equivalents		(4,243)	6,770
Cash and cash equivalents at the beginning of the financial year		9,701	2,931
Cash and cash equivalents at the end of the financial year	4.1(a)	5,458	9,701
Financing arrangements	4.6		
Restrictions on cash assets	4.1		

Statement of Capital Works

For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Property			
Land		13	408
Buildings		397	2,826
Total property		<u>410</u>	<u>3,234</u>
Plant and equipment			
Plant, machinery and equipment		1,207	1,952
Computers and telecommunications		366	983
Total plant and equipment		<u>1,573</u>	<u>2,935</u>
Infrastructure			
Roads		9,498	10,139
Bridges		1,089	272
Major Culverts		87	9
Footpaths and cycleways		704	675
Drainage		67	158
Waste management		387	1,366
Off street car parks		-	494
Other infrastructure		647	531
Total infrastructure		<u>12,479</u>	<u>13,644</u>
Total capital works expenditure		<u>14,462</u>	<u>19,813</u>
Represented by:			
New asset expenditure		132	1,459
Asset renewal expenditure		10,274	12,971
Asset expansion expenditure		395	1,667
Asset upgrade expenditure		3,661	3,716
Total capital works expenditure		<u>14,462</u>	<u>19,813</u>

Notes to the Financial Report

For the Year Ended 30 June 2018

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 5.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)
- other areas requiring judgments

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

Notes to the Financial Report

For the Year Ended 30 June 2018

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 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 28 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Income				
Rates and charges	40,995	41,059	64	
Statutory fees and fines	618	804	186	1
User fees	4,183	4,476	293	2
Grants - operating	8,228	14,500	6,272	3
Grants - capital	8,669	5,698	(2,971)	4
Contributions - monetary	316	299	(17)	
Contributions - non monetary	479	169	(310)	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(329)	203	532	6
Fair value adjustments for investment property	-	34	34	
Share of net profits/(losses) of associates and joint venture	-	115	115	7
Other income	2,388	2,012	(376)	8
Total income	<u>65,547</u>	<u>69,369</u>	<u>3,822</u>	
Expenses				
Employee costs	24,687	24,635	52	
Materials and services	24,079	23,556	523	9
Depreciation	11,884	10,479	1,405	10
Bad and doubtful debts	1	47	(46)	11
Borrowing costs	142	143	(1)	
Other expenses	3,120	3,011	109	12
Total expenses	<u>63,913</u>	<u>61,871</u>	<u>2,042</u>	
Surplus for the year	<u>1,634</u>	<u>7,498</u>	<u>5,864</u>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines	State Government fee increase was higher than budgeted
2	User fees	Higher than expected user fees recognised for Caravan Parks
3	Grants - operating	Recognition of \$3.9M Federal Government Contribution for Long Jetty Restoration and 50% of Victorian Grants Commission allocation (\$4.8M) relating to 2018-19 was received in advance
4	Grants - capital	Carry forward to future financial years of non recurrent capital grant budgeted for Bair Street Leongatha streetscape and Bena Kongwak Bridge.
5	Contributions - non monetary	Reductions in developer contributions
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Gains recognised on sale of assets with book values lower than expected.
7	Share of net profits/(losses) of associates and joint ventures	Council share of surplus from Library was unexpected and not budgeted for.
8	Other income	Reclassification of interest on rates and charges and reduced income from private works sealing as no longer being performed.
9	Materials and services	Major projects budgeted for 2017-18 were not carried out during the year and have been carried forward to future periods, i.e. Long Jetty Restoration, Agnes Falls both carried forward to 18/19.
10	Depreciation	Change in depreciation of sub component of road pavement asset class relating to sealed roads.
11	Bad and doubtful debts	Increase in doubtful debts provision to reflect current aging profile of debtors and likelihood of collectability
12	Other expenses	Community grants budgeted for payment in 2017-18 were carried forward to 2018-19

Notes to the Financial Report

For the Year Ended 30 June 2018

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Property				
Land	25	13	(12)	1
Buildings	1,507	397	(1,110)	2
Total Property	1,532	410	(1,122)	
Plant and Equipment				
Plant, machinery and equipment	2,258	1,207	(1,051)	3
Computers and telecommunications	1,595	366	(1,229)	4
Total Plant and Equipment	3,853	1,573	(2,280)	
Infrastructure				
Roads	11,633	9,498	(2,135)	5
Bridges	2,524	1,089	(1,435)	6
Major Culverts	124	87	(37)	7
Footpaths and cycleways	760	704	(56)	
Drainage	134	67	(67)	8
Waste management	432	387	(45)	9
Other infrastructure	1,724	647	(1,077)	10
Total Infrastructure	17,331	12,479	(4,852)	
Total Capital Works Expenditure	22,716	14,462	(8,254)	
Represented by:				
New asset expenditure	1,280	132	(1,148)	
Asset renewal expenditure	12,093	10,274	(1,819)	
Asset expansion expenditure	2,483	395	(2,088)	
Asset upgrade expenditure	6,860	3,661	(3,199)	
Total Capital Works Expenditure	22,716	14,462	(8,254)	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	General land purchases lower than budgeted.
2	Buildings	Port Welshpool (\$0.4M) and Waratah Bay (\$0.14M) Caravan Park toilet blocks deferred to 2018/19 and decrease of \$0.12M in renewal program.
3	Plant, machinery and equipment	Variance due to carry forward of various projects to 2018/19.
4	Computers and telecommunications	Reduction in IT Capital Works program during investigation into shared services opportunities.
5	Roads	Bair Street Streetscape carried forward to 2018/19 partially offset by Foster Streetscape and reduced roads reseals
6	Bridges	Bena Kongwak Bridge (\$1.7M) deferred to 2018/19
7	Major Culverts	Major culvert renewal program deferred to 2018/19
8	Drainage	Deferral of drainage rehabilitation project expenditure to 2018/19.
9	Waste management	Leachate Evaporation System deferred to 2018/19
10	Other infrastructure	Projects carried forward to future years due to changes in project plans includes pools refurbishment (\$367k), Fish Creek Netball Courts (\$250k), Korumburra Recreation Reserve (\$170k), Venus Bay (\$225k).

Notes to the Financial Report

For the Year Ended 30 June 2018

Note 2 Funding for the delivery of our services

2.1 Rates and charges

2018
\$'000

2017
\$'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 2017/18 was \$7,625 million (2016/17 \$7,574 million).

General Rates	37,869	36,931
Waste management charge	2,824	2,736
Supplementary rates and rate adjustments	200	147
Interest on rates and charges	166	190
Total rates and charges	41,059	40,004

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

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

2.2 Statutory fees and fines

Land Information Certificates	43	37
Local Laws	139	162
Building Services	104	93
Statutory Planning	428	406
Supervision Fees	30	26
Others	60	45
Total statutory fees and fines	804	769

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

2.3 User fees

Aged and health services	785	792
Leisure centre and recreation	67	80
Local Laws	436	423
Waste management services	2,179	1,956
Caravan Parks	870	779
Other fees and charges	139	104
Total user fees	4,476	4,134

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

2.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	16,739	20,992
State funded grants	3,459	4,286
Total grants received	20,198	25,278

(a) Operating Grants

Recurrent - Commonwealth Government

Financial Assistance Grants	9,500	13,324
Immunisation	1	1
Home & Community Care	978	945

Recurrent - State Government

Valuation Services	9	272
Community Safety	-	30
Family and children	202	184
Home & Community Care	583	596
School crossing supervision	54	34
Community building	115	110
Community health	27	40
Maternal & child health	316	329
Other	21	60
Total recurrent operating grants	11,806	15,925

Notes to the Financial Report

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
Non-recurrent - Commonwealth Government		
Financial Assistance Grants	-	35
Local Roads & Infrastructure	1,943	-
Non-recurrent - State Government		
Community Safety	-	55
Families & Children	30	-
Youth Services	82	70
Fire Services Levy Administration	49	47
Economic Development	-	-
Sustainability	201	143
Community Building	61	15
Local Roads & Infrastructure	-	70
Natural Disasters	-	100
Recreation & Leisure	179	917
Others	149	96
Total non-recurrent operating grants	<u>2,694</u>	<u>1,548</u>
Total operating grants	<u>14,500</u>	<u>17,473</u>
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	3,344	3,860
Total recurrent capital grants	<u>3,344</u>	<u>3,860</u>
Non-recurrent - Commonwealth Government		
Roads	513	2,347
Building	160	480
Bridges	300	
Non-recurrent - State Government		
Roads	242	200
Building	80	720
Bridges	859	120
Other Structures	200	78
Total non-recurrent capital grants	<u>2,354</u>	<u>3,945</u>
Total capital grants	<u>5,698</u>	<u>7,805</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,320	1,664
Received during the financial year and remained unspent at balance date	961	830
Received in prior years and spent/closed during the financial year	(834)	(1,174)
Balance at year end	<u>1,447</u>	<u>1,320</u>

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

5 Contributions

Monetary	299	509
Non-monetary	169	403
Total contributions	<u>468</u>	<u>912</u>

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

Roads & Streets	-	199
Drains	137	133
Kerbs & Channel	-	42
Car Parks	25	
Footpaths	7	29
Total non-monetary contributions	<u>169</u>	<u>403</u>

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

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

Proceeds of sale	854	1,505
Written down value of assets disposed	(651)	(1,523)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>203</u>	<u>(18)</u>

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

Notes to the Financial Report

For the Year Ended 30 June 2018

2.7 Other income	2018 \$'000	2017 \$'000
Interest	578	416
Investment property rental	227	225
Other rent	15	17
Fuel tax credits	144	153
Sales	155	147
Workcover reimbursements	334	338
Other reimbursements	420	425
External private works	17	298
Other	122	119
Total other income	2,012	2,138

Interest is recognised as it is earned.

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

Note 3 The cost of delivering services

3.1 a) Employee costs

Wages and salaries	21,942	21,353
WorkCover	569	411
Superannuation	2,104	2,021
Fringe benefits tax	20	47
Total employee costs	24,635	23,832

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	121	144
	121	144
Employer contributions payable at reporting date.	10	5

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)/Other	1,982	1,876
	1,982	1,876
Employer contributions payable at reporting date.	-	-

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

3.2 Materials and services

Waste Management	3,458	3,076
Leisure Centre Operations	870	846
Contractors General	7,631	4,412
Software Maintenance	1,094	1,052
Great Southern Rail Trail	7	362
Natural disasters	158	831
Materials General	4,544	5,192
Fuel & Oils	671	781
Advertising & Promotion Costs	258	260
Utilities	930	876
Subscriptions, affiliations and conferences	154	154
Leases	195	245
Legal Fees	404	432
Consultancies and projects	693	413
Insurance Premiums	644	602
Plant & Equipment Registrations	117	135
Training expenses	292	298
State levies	872	989
Gippsland Group Training / Labour Hire	564	964
Total materials and services	23,556	21,920

3.3 Depreciation

Property	2,415	2,410
Plant and equipment	1,902	1,848
Infrastructure	6,162	7,393
Total depreciation	10,479	11,651

Refer to note 5.1 for a more detailed breakdown of depreciation charges and accounting policy.

Notes to the Financial Report

For the Year Ended 30 June 2018

	2018 \$'000	2017 \$'000
3.4 Bad and doubtful debts		
General debtors provision	47	43
Total bad and doubtful debts	47	43
Movement in provisions for doubtful debts		
Balance at the beginning of the year	127	141
New Provisions recognised during the year	54	49
Amounts already provided for and written off as uncollectible	(13)	(33)
Amounts provided for but recovered during the year	(10)	(30)
Balance at end of year	158	127

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

3.5 Borrowing costs

Interest - Borrowings	143	142
Total borrowing costs	143	142

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

3.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	57	54
Auditors' remuneration - Internal & others	57	34
Councillors' allowances	304	282
Library Contributions	1,382	1,354
Community & Sporting Grants	951	992
Bank Fees & Charges	260	184
Total other expenses	3,011	2,900

Note 4 Our financial position

4.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	3	2
Cash at bank	1,107	2,963
Money Market Call Account	3,348	3,236
Term deposits	1,000	3,500
Total cash and cash equivalents	5,458	9,701

(b) Other financial assets

Term deposits - current	24,266	16,581
Total other financial assets	24,266	16,581
Total financial assets	29,724	26,282

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

- Trust funds and deposits (Note 4.3)	911	899
Total restricted funds	911	899
Total unrestricted cash and cash equivalents	4,547	8,802

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	6,931	4,239
- 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 2.4c)	1,447	1,320
- Reserve funds allocated for specific future purposes (Note 8.1b)	4,404	3,309
Total funds subject to intended allocations	12,782	8,868

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 2018

	2018	2017
	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	2,851	2,934
Special rate assessment	14	18
<i>Non statutory receivables</i>		
Other debtors	2,903	1,624
Provision for doubtful debts - other debtors	(158)	(127)
Total current trade and other receivables	<u>5,610</u>	<u>4,449</u>
Total trade and other receivables	<u>5,610</u>	<u>4,449</u>

Short term receivables are carried at invoice amount. Long term receivables are carried at amortised cost using the effective interest rate method.

(a) Ageing of Receivables

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

Current (not yet due)	1,332	938
Past due by up to 30 days	1,130	158
Past due between 31 and 180 days	196	239
Past due between 181 and 365 days	81	152
Past due by more than 1 year	164	137
Total trade & other receivables	<u>2,903</u>	<u>1,624</u>

(b) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$158K (2017: \$127K) were impaired. The amount of the provision raised against these debtors was \$158K (2017: \$127K). 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	-	17
Past due between 181 and 365 days	-	60
Past due by more than 1 year	158	50
Total trade & other receivables	<u>158</u>	<u>127</u>

Notes to the Financial Report

For the Year Ended 30 June 2018

4.2 Non-financial assets	2018	2017
(a) Inventories	\$'000	\$'000
Inventories held for distribution	281	304
Total inventories	281	304

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	61	42
Total other assets	61	42

4.3 Payables

(a) Trade and other payables

Trade payables	2,225	2,038
Accrued expenses	1,658	1,974
Total trade and other payables	3,883	4,012

(b) Trust funds and deposits

Refundable deposits	132	121
Fire services levy	393	418
Retention amounts	83	36
Other refundable deposits	303	324
Total trust funds and deposits	911	899

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 <<monthly>> basis. Amounts disclosed here will be remitted to the state government in line with that process.

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

Other refundable deposits - Other deposits held in trust.

Notes to the Financial Report

For the Year Ended 30 June 2018

4.4 Interest-bearing liabilities	2018 \$'000	2017 \$'000
Non-current		
Borrowings - secured	3,350	3,350
Total	3,350	3,350

Borrowings are secured by the general rates of the Council

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

Not later than one year	-	-
Later than one year and not later than five years	3,350	3,350
Later than five years	-	-
	3,350	3,350

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

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

4.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
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	6,714	2,868	9,582
2017			
Balance at beginning of the financial year	6,437	820	7,257
Additional provisions	2,709	1,041	3,750
Amounts used	(2,269)	-	(2,269)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(24)	-	(24)
Balance at the end of the financial year	6,853	1,861	8,714

Notes to the Financial Report

For the Year Ended 30 June 2018

	2018	2017
	\$'000	\$'000
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	1,685	1,755
Rostered days	188	234
Long service leave	1,470	1,455
	<u>3,343</u>	<u>3,444</u>
Current provisions expected to be wholly settled after 12 months		
Annual leave	757	853
Long service leave	1,830	1,813
	<u>2,587</u>	<u>2,666</u>
Total current employee provisions	<u>5,930</u>	<u>6,110</u>
Non-current		
Long service leave	784	743
Total non-current employee provisions	<u>784</u>	<u>743</u>
Aggregate carrying amount of employee provisions:		
Current	5,930	6,110
Non-current	784	743
Total aggregate carrying amount of employee provisions	<u>6,714</u>	<u>6,853</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.

	2018	2017
	\$'000	\$'000
(b) Landfill restoration		
Current	801	-
Non-current	2,067	1,861
	<u>2,868</u>	<u>1,861</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.

4.6 Financing arrangements

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

Bank overdraft	500	500
Credit card facilities	350	350
Total facilities	<u>850</u>	<u>850</u>
Used facilities	32	36
Unused facilities	<u>818</u>	<u>814</u>

Notes to the Financial Report

For the Year Ended 30 June 2018

4.7 Commitments

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

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'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
Drainage	-	-	-	-	-
Footpaths	18	-	-	-	18
Other Structures	264	-	-	-	264
Total	2,697	-	-	-	2,697

2017	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Transfer Stations	636	318	-	-	954
Litter Bins	189	189	-	-	378
Kerbside Garbage	2,143	2,143	1,429	-	5,715
Libraries	1,382	-	-	-	1,382
General Materials & Services	1,559	-	-	-	1,559
Equipment Hire	45	-	-	-	45
Maintenance Contracts	223	-	-	-	223
Construction Contracts	39	-	-	-	39
Total	6,216	2,650	1,429	-	10,295
Capital					
Buildings	65	-	-	-	65
Computer and Telecommunications	44	-	-	-	44
Bridges	14	-	-	-	14
Roads	1,426	-	-	-	1,426
Drainage	2	-	-	-	2
Footpaths	2	-	-	-	2
Other Structures	21	-	-	-	21
Total	1,574	-	-	-	1,574

Operating lease commitments

At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):

	2018 \$'000	2017 \$'000
Not later than one year	156	186
Later than one year and not later than five years	47	196
Total	203	382

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 Report

For the Year Ended 30 June 2018

Note 5 Assets we manage

5.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	124,793	-	-	7,864	(2,415)	(150)	381	130,473
Plant and equipment	9,500	-	-	-	(1,902)	(502)	1,763	8,859
Infrastructure	393,195	1,223	170	(14,431)	(6,162)	-	7,508	381,502
Work in progress	2,595	13,239	-	-	-	-	(9,652)	6,182
	530,083	14,462	170	(6,567)	(10,479)	(652)	-	527,017

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000
Property	144	410	(381)	173
Plant and equipment	718	1,573	(1,763)	528
Infrastructure	1,733	11,256	(7,508)	5,481
Total	2,595	13,239	(9,652)	6,182

Notes to the Financial Report

For the Year Ended 30 June 2018

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
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		
major 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 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

The useful life historically applied to a component of the road infrastructure assets were reviewed during the year. The useful life used for a subcomponent of this asset class was assessed as not appropriately reflecting the economic consumption of the asset class, resulting in a change of the useful life assigned to the sub component from 15 years to 130 years. This adjustment occurred during the revaluation of infrastructure assets and is included in the revaluation amounts included in Note 5.2(c) below and is not separately identifiable.

Notes to the Financial Report

For the Year Ended 30 June 2018

(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 2017	45,402	32,966	78,368	5,750	118,624	124,374	144	202,886
Accumulated depreciation at 1 July 2017	-	-	-	(4,457)	(73,492)	(77,949)	-	(77,949)
	45,402	32,966	78,368	1,293	45,132	46,425	144	124,937
Movements in fair value								
Additions	-	-	-	-	-	-	410	410
Revaluation	3,102	2,187	5,289	(581)	14,445	13,864	-	19,153
Disposal	(150)	-	(150)	-	-	-	-	(150)
Transfers	-	-	-	-	381	381	(381)	-
	2,952	2,187	5,139	(581)	14,826	14,245	29	19,413
Movements in accumulated depreciation								
Depreciation and amortisation	-	-	-	(57)	(2,358)	(2,415)	-	(2,415)
Revaluation	-	-	-	838	(12,127)	(11,289)	-	(11,289)
	-	-	-	781	(14,485)	(13,704)	-	(13,704)
At fair value 30 June 2018	48,354	35,153	83,507	5,169	133,450	138,619	173	222,299
Accumulated depreciation at 30 June 2018	-	-	-	(3,676)	(87,977)	(91,653)	-	(91,653)
	48,354	35,153	83,507	1,493	45,473	46,966	173	130,646

Notes to the Financial Statements

For the Year Ended 30 June 2018

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Work in Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	14,279	200	5,645	718	20,842
Accumulated depreciation at 1 July 2017	(5,981)	(168)	(4,475)	-	(10,624)
	8,298	32	1,170	718	10,218
Movements in fair value					
Additions	-	-	-	1,573	1,573
Disposal	(1,226)	-	(2,580)	-	(3,806)
Transfers	1,207	-	556	(1,763)	-
	(19)	-	(2,024)	(190)	(2,233)
Movements in accumulated depreciation					
Depreciation and amortisation	(1,359)	(3)	(540)	-	(1,902)
Accumulated depreciation of disposals	785	-	2,519	-	3,304
	(574)	(3)	1,979	-	1,402
At fair value 30 June 2018	14,260	200	3,621	528	18,609
Accumulated depreciation at 30 June 2018	(6,555)	(171)	(2,496)	-	(9,222)
	7,705	29	1,125	528	9,387

Notes to the Financial Statements

For the Year Ended 30 June 2018

(c) Infrastructure

	Roads	Bridges	Major Culverts	Footpaths and 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 2017	337,047	53,100	13,263	20,156	21,477	6,962	38,841	7,577	7,885	1,733	508,041
Accumulated depreciation at 1 July 2017	(61,586)	(15,767)	(4,786)	(3,318)	(4,218)	(2,914)	(13,526)	(3,422)	(3,576)	-	(113,113)
	275,461	37,333	8,477	16,838	17,259	4,048	25,315	4,155	4,309	1,733	394,928
Movements in fair value											
Additions	101	-	-	355	169	146	147	306	-	11,256	12,479
Contributions	-	-	-	7	-	26	137	-	-	-	170
Revaluation	(11,638)	306	850	(2,056)	(2,751)	(463)	1,753	-	3,426	-	(10,572)
Transfers	6,065	75	97	644	-	-	67	-	561	(7,508)	1
	(5,473)	381	947	(1,050)	(2,582)	(291)	2,104	306	3,987	3,748	2,078
Movements in accumulated depreciation											
Depreciation	(3,480)	(354)	(112)	(224)	(178)	(63)	(324)	(990)	(437)	-	(6,162)
Revaluation	4,853	(11,814)	(508)	1,887	3,291	2,552	(2,252)	-	(1,868)	-	(3,859)
	1,373	(12,168)	(620)	1,663	3,113	2,489	(2,576)	(990)	(2,305)	-	(10,021)
At fair value 30 June 2018	331,574	53,481	14,210	19,106	18,895	6,671	40,945	7,883	11,872	5,481	510,119
Accumulated depreciation at 30 June 2018	(60,213)	(27,935)	(5,406)	(1,655)	(1,105)	(425)	(16,102)	(4,412)	(5,881)	-	(123,134)
	271,361	25,546	8,804	17,451	17,790	6,246	24,843	3,471	5,991	5,481	386,985

Notes to the Financial Statements

For the Year Ended 30 June 2018

Acquisition

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

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation

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 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 the shorter.

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.

A full revaluation of land and buildings was conducted in 2017-18.

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

	Level 1	Level 2	Level 3	Date of Valuation
Specialised land	-	-	48,354	30/06/2018
Land under roads	-	-	35,153	30/06/2018
Heritage Buildings	-	-	1,493	30/06/2018
Buildings	-	-	45,473	30/06/2018
Total	-	-	130,473	

Notes to the Financial Statements

For the Year Ended 30 June 2018

Valuation of infrastructure

Valuation of Council's infrastructure assets was performed by Tony Peterson, BE Civil Engineering (Council employee). The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.

A full revaluation of infrastructure was conducted in 2017-18.

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

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

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	271,361	30/06/2018
Bridges	-	-	25,546	30/06/2018
Major Culverts	-	-	8,804	30/06/2018
Footpaths and cycleways	-	-	17,451	30/06/2018
Kerb & Channel	-	-	17,790	30/06/2018
Off Street Car Parks	-	-	6,246	30/06/2018
Drainage	-	-	24,843	30/06/2018
Waste management	-	-	3,471	30/06/2018
Other infrastructure	-	-	5,991	30/06/2018
Total	-	-	381,503	

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 is calculated on a square metre basis and ranges from \$225 to \$8500 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.

	2018 \$'000	2017 \$'000
Reconciliation of specialised land		
Land under roads	35,153	32,966
Parks and reserves and others	48,354	45,402
Total specialised land	83,507	78,368

Notes to the Financial Statements

For the Year Ended 30 June 2018

	2018	2017
	\$'000	\$'000
5.2 Investments in associates		
(a) Investments in associates		
Investments in associates accounted for by the equity method are:		
West Gippsland Regional Library Corporation	1,237	1,122
West Gippsland Regional Library Corporation		
<i>Background</i>		
Council has a 30.55% equity interest in the West Gippsland Regional Library Corporation in 2017-18 (30.55% in 2016/17). 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	1,237	1,122
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus at start of year	928	797
Reported surplus(deficit) for year	115	131
Council's share of accumulated surplus(deficit) at end of year	1,043	928
Council's share of reserves		
Council's share of reserves at start of year	194	194
Council's share of reserves at end of year	194	194
Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,122	991
Share of surplus(deficit) for year	115	131
Carrying value of investment at end of year	1,237	1,122
Council's share of expenditure commitments		
Operating commitments	12	16
Capital commitments	-	83
Council's share of expenditure commitments	12	99

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

5.3 Investment property	2018	2017
	\$'000	\$'000
Balance at beginning of financial year	729	729
Fair value adjustments	34	-
Balance at end of financial year	<u>763</u>	<u>729</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 qualified 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 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 2018

Note 6 People and relationships	2018	2017
6.1 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 5.2.		
(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:		
Councillors		
Lorraine Brunt (Mayor)	1	1
Aaron Brown	1	1
Ray Argento	1	1
Alyson Skinner	1	1
Jeremy Rich	1	1
Maxine Kiel	1	1
Meg Edwards	1	1
Don Hill	1	1
Andrew Mcewen	1	1
Robert Newton (1 July 2016 to 22 October 2016)		1
Kieran Kennedy (1 July 2016 to 22 October 2016)		1
Mohya Davies (1 July 2016 to 22 October 2016)		1
Jeanette Harding (1 July 2016 to 22 October 2016)		1
Nigel Hutchinson Brooks (1 July 2016 to 22 October 2016)		1
James Fawcett (1 July 2016 to 22 October 2016)		1
Total Number of Councillors	<u>9</u>	<u>15</u>
Chief Executive Officer and other Key Management Personnel	4	9
Total Key Management Personnel	<u>13</u>	<u>24</u>
(c) Remuneration of Key Management Personnel		
	2018	2017
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,165	1,554
Long-term benefits	22	51
Post-employment benefits	78	119
Termination benefits	-	-
Total	<u>1,265</u>	<u>1,724</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2018	2017
	No.	No.
\$1 - \$9,999	-	5
\$10,000 - \$19,999	-	5
\$20,000 - \$29,999	7	4
\$40,000 - \$49,999	1	1
\$50,000 - \$59,999	-	1
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	-	2
\$160,000 - \$169,999	-	1
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	2	-
\$220,000 - \$229,999	-	1
\$230,000 - \$239,999	1	-
\$270,000 - \$279,999	-	1
\$300,000 - \$309,999	1	-
	<u>13</u>	<u>24</u>
(d) Senior Officer Remuneration		
A Senior Officer is an officer of Council, other than Key Management Personnel, who:		
a) has management responsibilities and reports directly to the Chief Executive; or		
b) whose total annual remuneration exceeds \$145,000		
The number of Senior Officers are shown below in their relevant income bands:		
Income Range:		
below \$145,000	0	2
\$145,000 - \$149,999	-	-
\$150,000 - \$159,999	3	1
\$160,000 - \$169,999	2	1
\$170,000 - \$179,999	-	1
\$180,000 - \$189,999	-	1
	<u>5</u>	<u>6</u>
	2018	2017
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included above is accounted to	791	953

Notes to the Financial Statements

For the Year Ended 30 June 2018

6.2 Related party disclosure

(a) Transactions with related parties

Council makes contributions to West Gippsland Regional Library Corporation as detailed in Note 3.6. During the period there were no other material transactions entered into with related parties by Council.

(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 \$1.80M. All transactions are in line with normal commercial practice.

Notes to the Financial Statements

For the Year Ended 30 June 2018

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

Developer contributions to be received by Council in respect of estates currently under development total \$386K (2017 \$379K)

Operating lease receivables

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

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

	2018	2017
	\$'000	\$'000
Not later than one year	102	200
Later than one year and not later than five years	268	206
Later than five years	325	390
	695	796

(b) Contingent liabilities

Superannuation

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

Landfill

Under requirement of the Environmental Protection Authority (EPA), Council has a present obligation to perform site rehabilitation works for landfills that it operates on a progressive basis. 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.

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

Legal

Council is party to a number of litigation matters arising out of its duty to administer local laws and regulations and operation of Council assets. As at the date of this report, there are no matters where costs have been awarded against Council and no legal obligation of Council has been established, and the Council does not accept future liability. Conversely, Council, like any other party to civil litigation, may be entitled to recover costs arising out of such litigation if it is successful.

(c) Guarantees

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

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

7.2 Change in accounting standards

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

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 does not have significant operating leases that will be impacted as a result of this change.

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

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

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.61%.

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

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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 2018

Impairment of assets

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

7.5 Events occurring after balance date

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

Note 8 Other matters

8.1 Reserves

(a) Asset revaluation reserves

2018

Property

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
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
	62,981	7,864	70,845

Infrastructure

Roads	200,532	(6,785)	193,747
Bridges	24,520	(11,508)	13,012
Major Culverts	5,069	342	5,411
Drainage	12,225	(499)	11,726
Footpaths and cycleways	8,292	(169)	8,123
Kerb & Channel	12,302	540	12,842
Car parks	2,944	2,089	5,033
Other infrastructure	675	1,558	2,233
	266,559	(14,431)	252,128

Total asset revaluation reserves

329,540 **(6,567)** **322,973**

2017

Property

Land & land improvements	31,087	-	31,087
Land under roads	4,922	-	4,922
Investment in associates	194	-	194
Buildings	25,922	-	25,922
Heritage buildings	470	-	470
Plant & Equipment	386	-	386
	62,981	-	62,981

Infrastructure

Roads	200,532	-	200,532
Bridges	24,520	-	24,520
Major Culverts	5,069	-	5,069
Drainage	12,225	-	12,225
Footpaths and cycleways	8,292	-	8,292
Kerb & Channel	12,302	-	12,302
Car parks	2,944	-	2,944
Other infrastructure	675	-	675
	266,559	-	266,559

Total asset revaluation reserves

329,540 **-** **329,540**

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

	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

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
Total Other reserves	3,309	2,148	(1,053)	4,404

2017

Public Open Space	-	61	(61)	-
Caravan Parks Reserve	-	913	(913)	-
General Reserve	879	401	-	1,280
Corner Inlet Reserve	19	1	(1)	19
Loan Reserve	1,340	670	-	2,010
Total Other reserves	2,238	2,046	(975)	3,309

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.

Notes to the Financial Statements

For the Year Ended 30 June 2018

8.2 Reconciliation of cash flows from operating activities to surplus	2018	2017
	\$'000	\$'000
Surplus for the year	7,498	12,860
Depreciation	10,479	11,651
Borrowing costs	143	142
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(203)	18
Contributions - Non-monetary assets	(169)	(403)
Investment in associates	(115)	(131)
Fair value adjustments for investment property	(34)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(1,161)	(246)
(Increase)/Decrease in prepayments	(19)	185
(Increase)/decrease in inventories	23	(109)
Increase/(decrease) in trust funds and deposits	12	26
Increase/(decrease) in trade and other payables	(128)	1,035
(Increase)/decrease employee entitlements	(139)	416
Net cash provided by/(used in) operating activities	16,187	25,444

8.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

Vision Super has advised that the estimated VBI at quarter ended 30 June 2018 was 106.0%.

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

Notes to the Financial Statements

For the Year Ended 30 June 2018

Employer contributions

Regular contributions

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

Funding calls

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

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

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

2017 full actuarial investigation surplus amounts

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

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

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

2018 interim actuarial investigation

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



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