

Yarra City Council
ANNUAL FINANCIAL REPORT
For the Year Ended 30 June 2019

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Certification of the Financial Report

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

Angelica Marshall CPA

CFO and Principal Accounting Officer

11 September 2019

Richmond

In our opinion the accompanying financial statements presents fairly the financial transactions of Yarra City Council for the year ended 30 June 2019 and the financial position of the Council as at that date.

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

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

Cr. Danae Bosler

Mayor

11 September 2019

Richmond

Cr. James Searle

Councillor

11 September 2019

Richmond

Vijaya Vaidyanath

Chief Executive Officer

11 September 2019

Richmond

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Comprehensive Income Statement For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	108,491	105,008
Statutory fees and fines	3.2	31,420	31,909
User fees	3.3	30,346	30,194
Grants - operating	3.4	12,849	11,489
Grants - capital	3.4	21,622	1,406
Contributions - monetary	3.5	7,151	5,566
Contributions - non monetary	3.5	2,250	-
Net gain or (loss) on disposal of property, infrastructure, plant and equipment	3.6	(10,996)	2,230
Other income	3.7	4,221	3,649
Total Income		207,354	191,451
Expenses			
Employee costs	4.1	83,810	80,695
Materials and services	4.2	66,908	61,995
Depreciation and amortisation	4.3	22,309	21,074
Bad and doubtful debts	4.4	5,709	4,200
Borrowing costs	4.5	2,181	2,007
Other expenses	4.6	515	611
Total Expenses		181,432	170,582
Surplus/(deficit) for the year		25,922	20,869
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	82,885	211,197
Total Comprehensive Result		108,807	232,066

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

Balance Sheet

As at 30 June 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5.1	87,653	51,086
Trade and other receivables	5.1	14,797	15,857
Inventories	5.2	129	107
Other assets	5.2	620	1,014
Total current assets		103,199	68,064
Non-current assets			
Investments in associates and joint ventures	6.3	235	235
Property, infrastructure, plant and equipment	6.2	1,984,061	1,906,881
Total non-current assets		1,984,296	1,907,116
TOTAL ASSETS		2,087,495	1,975,180
LIABILITIES			
Current liabilities			
Trade and other payables	5.3	9,733	9,283
Trust funds and deposits	5.3	12,454	10,906
Interest-bearing liabilities	5.4	1,218	1,176
Provisions	5.5	13,158	13,209
Total current liabilities		36,563	34,574
Non-current liabilities			
Trade and other payables	5.3	2,955	-
Interest-bearing liabilities	5.4	42,473	43,691
Provisions	5.5	1,393	1,398
Other Liabilities	5.3	237	230
Total non-current liabilities		47,058	45,319
TOTAL LIABILITIES		83,621	79,893
NET ASSETS		2,003,874	1,895,287
EQUITY			
Accumulated surplus		666,456	624,716
Reserves	9.1	1,337,418	1,270,571
TOTAL EQUITY		2,003,874	1,895,287

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

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000	Other Reserves \$'000
2019					
Balance at beginning of the financial year		1,895,287	624,716	1,246,875	23,696
Surplus/(deficit) for the year		25,922	25,922	-	-
Net asset revaluation increment/(decrement)	9.1	82,885	-	82,885	-
Transfers to other reserves	9.1	(20,320)	(6,344)	(220)	(13,756)
Transfers from other reserves	9.1	20,100	22,162	-	(2,062)
Balance at end of the financial year		2,003,874	666,456	1,329,540	7,878

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000	Other Reserves \$'000
2018					
Balance at beginning of the financial year		1,655,112	598,773	1,035,678	20,661
Adjustment for prior periods (found/lost assets)	6.2	8,109	8,109	-	-
Surplus/(deficit) for the year		20,869	20,869	-	-
Net asset revaluation increment/(decrement)	9.1	211,197	-	211,197	-
Transfers to other reserves	9.1	-	(4,806)	-	4,806
Transfers from other reserves	9.1	-	1,771	-	(1,771)
Balance at end of the financial year		1,895,287	624,716	1,246,875	23,696

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

		2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
	Notes		
Cash flows from operating activities			
Rates and charges		108,315	104,115
Statutory fees and fines		32,264	32,117
User fees		33,670	32,043
Government grants - operating		12,849	11,562
Government grants - capital		23,373	1,406
Monetary contributions and reimbursements		7,151	7,114
Interest received		1,504	866
Trust funds and deposits received		3,799	14,682
Other receipts		2,993	3,581
Employee costs		(83,866)	(76,188)
Materials and services		(77,751)	(80,606)
Trust funds and deposits repaid		(2,454)	(14,682)
Net GST refund		3,843	5,443
Net cash provided by/(used in) operating activities	9.2	65,690	41,453
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(26,319)	(24,094)
Proceeds from sale of property, plant and equipment		553	2,715
Net cash provided by/(used in) investing activities		(25,766)	(21,379)
Cash flows from financing activities			
Finance costs		(2,181)	(2,007)
Repayment of borrowings		(1,176)	(1,133)
Net cash provided financing activities		(3,357)	(3,140)
Net increase/(decrease) in cash and cash equivalents		36,567	16,934
Cash and cash equivalents at the beginning of the financial year		51,086	34,152
Cash and cash equivalents at the end of the financial year		87,653	51,086
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

	2019 \$'000	2018 \$'000
Property		
Buildings	6,263	6,738
Total buildings	6,263	6,738
Total property	6,263	6,738
Plant and equipment		
Plant, machinery and equipment	2,369	1,892
Computers and telecommunications	1,752	1,750
Library books	611	596
Total plant and equipment	4,732	4,238
Infrastructure		
Roads	5,547	6,407
Bridges	27	-
Footpaths and cycleways	2,225	1,282
Drainage	2,310	1,364
Recreational, leisure and community facilities	79	6,768
Waste management	67	108
Parks, open space and streetscapes	3,517	214
Other infrastructure	1,552	12
Total infrastructure	15,324	16,155
Total capital works expenditure	26,319	27,131
Represented by:		
New asset expenditure	1,556	4,323
Asset renewal expenditure	21,446	21,588
Asset upgrade expenditure	3,317	1,220
Total capital works expenditure	26,319	27,131

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

Notes to the Financial Report for the Year Ended 30 June 2019

OVERVIEW

Introduction

The City of Yarra was established by an Order of the Governor in Council on 22 June 1994 and is a body corporate. The Council's main office is located at 333 Bridge Road Richmond.

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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee 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% or \$250K 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 are those adopted by Council on 26 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 revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018/19 \$'000	Actual 2018/19 \$'000	Variance \$'000 Fav/(Unfav)	Variance % Fav/(Unfav)	Ref
Revenues from ordinary activities					
Rates and charges	108,937	108,491	(446)	-0.4%	1.1
Statutory fees and fines	29,570	31,420	1,850	6.3%	1.2
User fees	28,041	30,346	2,305	8.2%	1.3
Grants - operating	12,337	12,849	512	4.2%	1.4
Grants - capital	1,151	21,622	20,471	1779.1%	1.5
Contributions - monetary	4,369	7,151	2,782	63.7%	1.6
Contributions - non monetary	-	2,250	2,250	100.0%	1.7
Net gain (loss) on disposal of non current assets	205	(10,996)	(11,201)	-5463.9%	1.8
Other income	2,921	4,221	1,300	44.5%	1.9
Total revenues	187,531	207,354	19,823	10.6%	
Expenses from ordinary activities					
Employee costs	82,260	83,810	(1,550)	-1.9%	1.10
Materials and services	68,741	66,908	1,833	2.7%	1.11
Bad and doubtful debts	1,980	5,709	(3,729)	-188.3%	1.12
Depreciation	22,432	22,309	123	0.5%	
Borrowing costs	1,964	2,181	(217)	-11.0%	1.13
Other expenses	-	515	(515)	-100.0%	1.14
Total expenses	177,377	181,432	(4,055)	-2.3%	
Surplus/(Deficit) for the year	10,154	25,922	15,768	155.3%	

Notes to the Financial Report for the Year Ended 30 June 2019

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations

Ref	Item	Explanation
1.1	Rates and charges	Rates and charges are unfavourable to budget by \$0.45M (0.4%), mainly due to pensioner rate discounts being over budget as well as supplementary valuation rate income being below budget for the year.
1.2	Statutory fees and fines	Parking Revenue was favourable to budget by \$1.85M (6.3%) as a result of higher than budgeted parking infringement notices issued for the year, stemming from the ongoing influence of new parking technology. This does not translate to cash until fines are paid.
1.3	User Fees	User Fees are favourable to budget by \$2.3M (8.2%) due to construction management occupancy permits and inspection fee income exceeding budget as a result of high development activity within the municipality.
1.4	Grants - operating	Operating Grants were favourable to budget by \$0.51M (4.2%) mainly in Aged Services - Linkages and Home Care Programs. Some funding will be required to be returned to State/Federal Governments or redirected to fund other services due to the implementation of the NDIS and also lower demand for services.
1.5	Grants - capital	Capital Grants favourable to budget by \$20.5M mainly due to the State Government grant of \$17.5M for the Fitzroy Depot relocation and \$1.95m for Ryan's Reserve. Both amounts are committed to fund future Capital works and will be carried forward in most part to the 2019/20 year.
1.6	Contributions - monetary	Monetary contributions favourable to budget by \$2.8M (63.7%) due to higher than expected open space contributions for development projects received during the year. These funds are committed to be spent on eligible open space projects.
1.7	Contributions - non monetary	Non Monetary contributions favourable to budget due to an open space land contribution that was made during the year in lieu of a cash payment and was unbudgeted.
1.8	Net gain (loss) on disposal of non current assets	Net gain (loss) on disposal of non current assets of (\$11.0M) largely the result of the disposal of the old Fitzroy Depot site which was handed back to the State government during the year. This relates to the \$17.5m grant that Council received from the State Government to relocate its Depot.
1.9	Other Income	Other Income is favourable to budget by \$1.3M (44.5%) due to additional interest on investments that Council hold with banking institutions. Additional income was also received for the kindergarten fees subsidy and land tax objections in relation to property valuations.
1.10	Employee Costs	Employee costs unfavourable to budget by \$1.6M (1.9%) due to higher than budgeted parental leave costs, staff exit costs and long term leave entitlement expenses incurred during the year. Agency and casual labour costs were also above budget but offset partly by savings in ordinary salaries due to vacant EFT positions internally.
1.11	Materials and Services	Materials and services costs were favourable to budget by \$1.8M (2.7%) due in most part to tight cost controls exercised over corporate costs resulting in legal fees and consultancy costs coming in below budget.
1.12	Bad and doubtful debts	Bad and doubtful debts were unfavourable to budget by \$3.73M (188.3%) due to additional parking infringements being raised during the year. As each infringement is raised allowance is made for the debt to become doubtful and ultimately a bad debt. Collection is still pursued through Fines Victoria.
1.13	Borrowing Costs	Borrowing Costs was unfavourable to budget by \$0.22M (11.0%) due an increase in interest expense associated with a long term Council payable.
1.14	Other Expenses	Other expenses variance to budget offsets some of the favourable variance on the material and services line.

**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	-	-	-	-	
Land improvements	-	-	-	-	
Total land	-	-	-		
Buildings	6,249	6,263	14	0.2%	
Total buildings	6,249	6,263	14	0.2%	
Total property	6,249	6,263	14	0.2%	
Plant and equipment					
Plant, machinery and equipment	1,715	2,369	654	38.1%	1
Computers and telecommunications	2,839	1,752	(1,087)	-38.3%	2
Library books	600	611	11	1.9%	
Total plant and equipment	5,154	4,732	(421)	-8.2%	
Infrastructure					
Roads	6,872	5,547	(1,325)	-19.3%	3
Bridges	100	27	(73)	-73.0%	
Footpaths and cycleways	1,796	2,225	429	23.9%	4
Drainage	1,570	2,310	740	47.1%	5
Recreational, leisure and community facilities	104	79	(25)	-24.0%	
Waste management	70	67	(3)	-4.3%	
Parks, open space and streetscapes	4,381	3,517	(864)	-19.7%	6
Other infrastructure	2,189	1,552	(637)	-29.1%	7
Total infrastructure	17,082	15,324	(1,758)	-10.3%	
Total capital works expenditure	28,485	26,319	(2,165)	-7.6%	
Represented by:					
New asset expenditure	399	1,556	1,157	289.8%	
Asset renewal expenditure	25,376	21,446	(3,930)	-15.5%	
Asset expansion expenditure	-	-	-	0.0%	
Asset upgrade expenditure	2,710	3,317	607	22.4%	
Total capital works expenditure	28,485	26,319	(2,166)	-7.6%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Plant, machinery and equipment	Plant, machinery and equipment is \$0.6m (12.6%) above budget due to additional capital spend on car park ticketing machines and waste decomposer machinery.
2	Computers and telecommunications	Computers and telecommunications are \$1.1m (38.3%) below budget due to deferred expenditure for several information systems projects carried over to 2019/20.
3	Roads	Roads assets are \$1.3m (19.3%) below budget mainly due to project deferrals of \$0.8m as well as some savings on project costs.
4	Footpaths and cycleways	Footpaths and cycleways are \$0.4m (23.9%) over budget due to unbudgeted work on Wellington Street Bike Lanes being undertaken as a result of Capital Grant income received from the State Government during the year.
5	Drainage	Drainage is \$0.7m (47.1%) over budget due to the approval for urgent drainage works that were carried over from previous years.
6	Parks, open space and streetscapes	Parks, open space and streetscapes are \$0.9m (19.7%) under budget due to a number of projects being carried forward to 2019/20 or deferred to subsequent years.
7	Other infrastructure	Other Infrastructure is \$0.6m (29.1%) under budget due to LATM works associated with Victoria Street and Bridge Road Activity Centres being carried over to 2019/20.

Notes to the Financial Report for the Year Ended 30 June 2019**Note 2.1 Analysis of Council results by program (Cont'd)**

Council delivers its functions and activities through the following programs.

2 (a) Corporate, Business and Finance

The Corporate, Business and Finance division provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes financial services, digital information and technology, property and procurement, strategy and program delivery and program integration and development.

Planning and Placemaking

The Planning and Placemaking division includes the assessment of city development, health and local laws, planning strategy and urban growth.

Community Wellbeing

The Community Wellbeing division provides high quality community focused programs, service delivery and communication to residents. Community Wellbeing is comprised of community care, connected communities, family services, health communities and social planning and investment.

City Works

The City Works and Assets Division is responsible for asset management, maintenance and provision of a range of assets that contribute to liveability, including buildings, civil infrastructure such as drains, roads and footpaths, sporting facilities, gardens and trees. It also support the local amenity through services such as waste collection, recycling service, and street cleansing. The Division ensures safety and amenity related to development within Yarra, and seeks to manage traffic and the impact of works from external authorities. The Division also support health and wellbeing through the management of Councils Recreation and Leisure services.

Chief Executive Division

The Chief Executive Officer Division supports the provision of a range of professional services to internal and external customers, with an emphasis on Governance related issues. It is also responsible for managing Council's property portfolio including leases, licenses and management agreements. The CEO's division also includes the People & Culture branch, responsible for people management and development across Council, as well as also managing health, safety and risk.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 2.1 Analysis of Council results by program (cont'd)

2.1 (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 Business and Finance	165,521	71,736	93,785	19,907	178,150
Planning and Placemaking	13,047	14,429	(1,382)	870	1,778
Community Wellbeing	14,771	34,182	(19,411)	10,147	133,751
City Works	23,987	58,476	(34,489)	3,547	1,596,416
Chief Executive Division	1,818	14,399	(12,581)	-	177,400
Unattributed	-	-	-	-	-
	219,144	193,222	25,922	34,471	2,087,495
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Corporate Business and Finance	146,580	53,565	93,014	2,329	144,498
Planning and Placemaking	8,619	15,399	(6,781)	11	2,096
Community Wellbeing	14,330	33,277	(18,947)	9,048	141,731
City Works	20,437	55,957	(35,520)	1,507	1,498,675
Chief Executive Division	1,971	12,867	(10,895)	-	188,180
Unattributed	-	-	-	-	-
	191,936	171,065	20,871	12,895	1,975,180

Notes to the Financial Report for the Year Ended 30 June 2019

Note 3 - Funding for the delivery of our services

	2019	2018
	\$'000	\$'000

Note 3.1 Rates and charges

Council uses Net Annual Value (NAV) as the basis of valuation of all properties within the municipal district. The NAV of a property is its imputed rental value.

The valuation base used to calculate general rates for 2018/19 was \$3,042 million (2017/18 \$2,544 million) with the increase in the rate base resulting from the return of supplementary valuations for properties constructed and/or building works completed since the return of the previous general revaluation of land for rating purposes as at 1 January 2018.

The 2018/19 rate in the NAV dollar was 3.530999 cents. The 2017/18 rate in the NAV dollar was 4.091118 cents.

Residential	79,864	74,953
Commercial	20,203	22,206
Industrial	7,092	6,574
Supplementary rates and rate adjustments	824	776
Garbage bin charge	51	52
Interest on rates	457	447
Total rates and charges	108,491	105,008

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.

Note 3.2 Statutory fees and fines

Infringements and costs	22,522	20,546
Court recoveries	3,328	3,575
Fees - parking meters/ticket machines	3,738	5,902
Permits	1,832	1,886
Total statutory fees and fines	31,420	31,909

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

Note 3.3 User fees

Leisure centres and golf course fees	10,119	10,218
Child care/children's program fees	2,729	3,063
Town planning fees	3,275	3,496
Registration fees	1,478	1,508
Pre schools	176	841
Aged services fees	203	218
Road occupation permit fees	4,793	3,597
Library fees and fines	125	95
Footpath advertising & display	704	739
Building services fees	214	217
Valuation fees/supplementary charges	436	339
Kerb market fees	242	254
Land information certificates	166	143
Local laws fines	966	968
Rent	1,753	1,734
Permits - Bins and Skips	228	172
After School Program	176	157
Vacation Care Program	(51)	115
Report and Consent Fees	186	160
Road Inspection Fees	844	891
Hall hire	437	489
Asset Protection Permits	206	215
Signs and goods permit fees	320	300
Other fees and charges	621	265
Total user fees	30,346	30,194

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

Notes to the Financial Report for the Year Ended 30 June 2019

Note 3 - Funding for the delivery of our services (Cont'd)

Note 3.4 Funding from other levels of government	2019 \$'000	2018 \$'000
Government grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	8,909	8,943
State funded grants	25,562	3,952
Total Grants Received	34,471	12,895
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants - general purpose	2,070	1,988
Family Services	4,982	4,541
Aged Services - Home Care Services	1,559	1,727
Other	7	67
<i>Recurrent - State Government</i>		
Aged Services Assessment and Planning	1,997	862
School crossing supervisors	308	313
Library	693	696
Maternal and child health	470	611
Community safety	93	92
Other	70	52
Total recurrent operating grants	12,249	10,949
<i>Non-recurrent - Commonwealth Government</i>		
<i>Non-recurrent - State Government</i>		
Environmental planning / Waste	282	185
Community health	80	10
Family and children	240	185
Other	(2)	160
Total non-recurrent operating grants	600	540
Total operating grants	12,849	11,489
(b) Capital grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	161	382
<i>Recurrent - State Government</i>		
Local Roads	388	386
Road Safety	355	169
Total recurrent capital grants	904	937
<i>Non-recurrent - Commonwealth Government</i>		
Plant, machinery and equipment	-	32
Roads - Black Spot funding	22	77
Other	108	130
<i>Non-recurrent - State Government</i>		
Buildings	19,645	-
Roads	943	230
Total non-recurrent capital grants	20,718	469
Total capital grants	21,622	1,406
Total grants	34,471	12,895
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,236	1,145
Received during the financial year and remained unspent at balance date	21,063	1,236
Received in prior years and spent during the financial year	(1,236)	(1,145)
Balance at year end	21,063	1,236

Notes to the Financial Report for the Year Ended 30 June 2019

Note 3 - Funding for the delivery of our services (Cont'd)		2019	2018
		\$'000	\$'000
Note 3.5 Contributions			
(a) Monetary			
Resort and recreation fees*	6,344	4,806	
Road maintenance/works (other)	535	362	
Planning development	-	139	
Park rental	220	222	
Other	52	37	
	<u>7,151</u>	<u>5,566</u>	
(b) Non-monetary			
Land	2,250	-	
Total contributions	<u>9,401</u>	<u>5,566</u>	

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

* Resort and recreation fees received during the year and not spent are transferred to reserves pursuant to section 18 of the Subdivision Act 1988, (Resort and Recreation Reserve) (Note 9.1).

Note 3.6 Net gain/(loss) on disposal of property, infrastructure, plant and equipment**Plant & Equipment**

Proceeds from sale of assets	373	300
Written down value of assets sold/disposed	(11,549)	(82)
Profit/(loss) on sale/disposal of property, plant and equipment	<u>(11,176)</u>	<u>218</u>

Roads - Right of way

Proceeds from sale of assets	180	2,415
Written down value of assets sold/disposed	-	(403)
Profit/(loss) on sale/disposal of property, plant and equipment	<u>180</u>	<u>2,012</u>

Summary

Proceeds from sale of assets	553	2,715
Written down value of assets sold/disposed	(11,549)	(485)
Profit/(loss) on sale/disposal of property, plant and equipment	<u>(10,996)</u>	<u>2,230</u>

Note 3.7 Other income

Interest	1,504	866
Victorian Electoral Commission fines	18	227
Hall Hire	100	98
Waste Management	152	167
Venues and events	127	57
Strategic Planning	51	92
Early Years Unit	420	43
Disadvantaged Accessibility	108	102
Leisure Services	87	84
Financial Accounting	-	95
Valuations	130	193
Reimbursements Road Reinstatements	335	273
Reimbursements Legal Fees	178	127
Reimbursements Recycling	76	434
Reimbursements Open space planning	156	237
Reimbursements Planning development	280	214
Other	499	340
Total other income	<u>4,221</u>	<u>3,649</u>

Notes to the Financial Report for the Year Ended 30 June 2019

Note 4 - The cost of delivering services	2019	2018
	\$'000	\$'000
Note 4.1(a) Employee Costs		
Wages and salaries	59,751	58,732
WorkCover	332	700
Casual staff	5,788	4,489
Superannuation	6,503	5,968
Fringe benefits tax	105	230
Agency staff (external)	5,292	5,143
Other	6,039	5,433
Total employee costs	83,810	80,695
Note 4.1(b) Superannuation		
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	428	641
	428	641
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,164	2,417
Employer contributions - other funds	2,910	2,910
	6,074	5,327
Refer to note 9.3 for further information relating to Council's superannuation obligations.		
Note 4.2 Materials and services		
Materials and services	22,371	22,343
Aged services contract payments	1,767	1,777
Waste services contract payments	4,122	4,120
Open space contract payments	2,713	2,398
Recycling contract payments	2,555	2,859
Bushland tree maintenance contract payments	1,477	1,364
Street cleaning services contract payments	2,865	2,828
Other contract payments	5,912	5,571
Legal settlement costs	3,538	-
Building maintenance	4,591	4,049
General maintenance	4,287	3,937
Utilities	3,435	3,461
Information technology	3,131	3,269
Insurance	1,862	1,605
Consultants	2,282	2,414
Total materials and services	66,908	61,995
Note 4.3 Depreciation and amortisation		
Property	2,795	2,794
Plant and equipment	5,401	5,513
Infrastructure	14,113	12,767
Total Depreciation	22,309	21,074

Refer to Note 6.2 for a more detailed break down of depreciation and amortisation charges.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 4 - The cost of delivering services (Cont'd)

	2019 \$'000	2018 \$'000
Note 4.4 Bad and doubtful debts		
Parking infringement debtors	5,709	4,107
Other debtors	-	93
Total bad and doubtful debts	5,709	4,200
Movement in provisions for doubtful debts		
Balance at the beginning of the year	26,965	23,002
New Provisions recognised during the year	5,709	4,200
Amounts already provided for and written off as uncollectible	(33)	(237)
Amounts provided for but recovered during the year	-	-
Balance at end of year	32,641	26,965

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.

Note 4.5 Borrowing costs

Interest - on borrowings	2,181	2,007
Total borrowing costs	2,181	2,007

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.

Note 4.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	69	78
Auditors' remuneration - Internal	140	229
Councillors' allowances	306	304
Total other expenses	515	611

Notes to the Financial Report for the Year Ended 30 June 2019

Note 5 - Our financial position	2019	2018
	\$'000	\$'000

Note 5.1 Financial assets**(a) Cash and cash equivalents**

Cash at bank	2,551	2,075
Cash on hand	11	11
Term deposit	85,091	49,000
Total cash and cash equivalents	87,653	51,086

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)	12,691	11,136
Public open space / parking reserves (note 9.1b)	7,878	3,596
Total restricted funds	20,569	14,732
Total unrestricted cash and cash equivalents	67,084	36,354

Intended allocations

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

- Cash held to fund carried forward capital works	6,105	2,954
- Capital Grant Funding	19,200	-
- Other Grant Carry Overs	3,000	-
Total funds subject to intended allocations	28,305	2,954

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.

(b) Trade and other receivables**Current****Statutory receivables**

Rates debtors	5,561	5,385
Parking infringement debtors	36,745	31,883
Provision for doubtful debts - parking infringements	(31,881)	(26,172)

Non statutory receivables

Other debtors	3,494	3,615
Provision for doubtful debts - other debtors	(760)	(793)
Workcover	9	171
GST paid	-	-
GST recoverable from ATO	1,629	1,768
Total trade and other receivables	14,797	15,857

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.

(c) 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)		
Past due by up to 30 days	2,970	3,759
Past due between 31 and 180 days	178	1,145
Past due between 181 and 365 days	11	1,946
Past due by more than 1 year	191	3,622
Total trade & other receivables	3,350	10,472

	2019	2018
	\$'000	\$'000

Note 5 - Our financial position**Note 5.1 Financial assets (Cont'd)****(d) Aging of individually impaired receivables**

At balance date, other debtors representing financial assets with a nominal value of \$32.6m (2018: \$27.0m) were impaired. The amount of the provision raised against these debtors was \$5.7m (2018: \$4.2m). 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)	435	-
Past due by up to 30 days	529	346
Past due between 31 and 180 days	1,896	1,729
Past due between 181 and 365 days	2,849	2,075
Past due by more than 1 year	26,932	22,815
Amounts already provided for and written off as uncollectible	-	-
Total trade & other receivables	32,641	26,965

Note 5.2 Non-financial assets**(a) Inventories**

Held for Sale	129	107
Total inventories	129	107

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

Accrued income - Government grants and interest income	58	371
Prepayments - vehicle registrations and software support	562	643
Total other assets	620	1,014

Notes to the Financial Report for the Year Ended 30 June 2019

Note 5 - Our financial position (Cont'd)

	2019 \$'000	2018 \$'000
Note 5.3 (a) Trade and other payables		
Current		
Trade creditors	7,967	5,370
Superannuation	34	40
Accrued expenses	1,732	3,873
	<u>9,733</u>	<u>9,283</u>
Non-current		
Accrued Expenses	2,955	-
Total Trade and other payables	<u>12,688</u>	<u>9,283</u>
 (b) Trust funds and deposits		
Current		
Drainage works deposits	30	30
Leased Properties	29	29
Refundable deposit	6,480	5,126
Other refundable deposits	195	205
Income in advance	157	181
	<u>6,891</u>	<u>5,571</u>
Fire services levy	5,563	5,335
	<u>12,454</u>	<u>10,906</u>
Non-current		
Other Liabilities	237	230
Total trust funds and deposits	<u>12,691</u>	<u>11,136</u>

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

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.

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.

Fire Service Levy - Council is the collection agent for the 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.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 5 - Our financial position (Cont'd)

Note 5.4 Interest-bearing liabilities	2019 \$'000	2018 \$'000
Current		
Loans - secured*	1,218	1,176
Non-current		
Loans - secured*	42,473	43,691
Total interest-bearing loans and borrowings	43,691	44,867
The maturity profile for Council's borrowings* and other liabilities is as follows:		
Not later than one year	1,218	1,176
Later than one year and not later than five years	37,674	37,674
Later than five years	4,799	6,017
	43,691	44,867

* Borrowings are secured by way of mortgages over the general rates of Council.

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.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 5 - Our financial position (Cont'd)

Note 5.5 Provisions

	Employee Provision \$ '000	
2019		
Balance at beginning of the financial year	14,607	
Additional provisions	4,368	
Amounts used	(4,774)	
Change in the discounted amount arising because of time and the effect of any change in the discount rate	350	
Balance at the end of the financial year	14,551	
2018		
Balance at beginning of the financial year	14,066	
Additional provisions	1,263	
Amounts used	(722)	
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	
Balance at the end of the financial year	14,607	
	2019	2018
	\$'000	\$'000
Current		
Current provisions expected to be wholly settled within 12 months		
Annual leave	3,971	3,864
TOIL	88	84
Long service leave	364	526
Current provisions expected to be wholly settled after 12 months		
Annual leave	1,222	1,222
Long service leave	7,513	7,513
	13,158	13,209
Non-current		
Long service leave	1,393	1,398
	1,393	1,398
LSL representing less than 7 years of continuous service is measured at present value.		
Aggregate carrying amount of employee entitlements		
Current	13,158	13,209
Non-current	1,393	1,398
Total provisions	14,551	14,607

The following assumptions were adopted in measuring the present value of long term employee benefits

Weighted average increase in employee costs	2.0%	2.0%
Weighted average discount rates	1.21%	2.45%
Weighted average settlement period	5 years	5 years

Note 5.6 Financing arrangements

The Council has the following funding arrangements at 30 June 2019

Bank overdraft	10,000	10,000
Purchasing cards	495	343
Total facilities	10,495	10,343
Used purchasing card facilities	(249)	(154)
Unused facilities	10,246	10,189

Notes to the Financial Report for the Year Ended 30 June 2019

Note 5 - Our financial position (Cont'd)

Note 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.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 year and not later than 5 years	Later than 5 years	Total
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Street cleaning services	2,728	2,791	5,776	-	11,295
Garbage collection and recycling*	7,440	4,179	6,298	-	17,917
Open space management	4,414	3,116	-	-	7,530
Information systems & technology	3,285	-	-	-	3,285
Cleaning contracts for Council buildings	1,414	298	-	-	1,712
Family Services	-	-	-	-	-
Home Care	1,520	639	-	-	2,159
Insurances	1,321	1,321	-	-	2,642
Capital					
Construction works	3,410				3,410
Total*	25,532	12,344	12,074	-	49,950

* Components of the Garbage collection and recycling contract were retendered during 2018/19 which has altered commitment values into the future and contract duration for those components.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 year and not later than 5 years	Later than 5 years	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Street cleaning services	2,814	3,028	-	-	5,843
Garbage collection and recycling	6,650	6,713	20,571	-	33,934
Open space management	3,171	3,171	4,228	-	10,570
Information systems & technology	3,199	3,285	-	-	6,484
Cleaning contracts for Council buildings	1,466	1,414	298	-	3,178
Family Services	1,283	-	-	-	1,283
Home Care	1,235	750	-	-	1,985
Insurances	1,482	-	-	-	1,482
Capital					
Construction works	-	-	-	-	-
Total	21,300	18,361	25,097	-	64,759

	2019	2018
Operating lease commitments	\$'000	\$'000

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

Not later than one year	1,114	1,226
Later than one year and not later than five years	2,741	231
Later than five years	30	-
	3,885	1,457

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

Note 6 Assets we manage

Note 6.1 Non-current assets classified as held for sale

Motor Vehicles held for sale at cost	-	-
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In 2018/19 and 2017/18 no non-current assets were classified as held for sale.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 Assets we manage (Cont'd)

Note 6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018	Additions	Contributions	Revaluation	Depreciation	Disposal	Transfers	WDV 30 June 2019	WIP	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	1,005,335	26	2,250	-	-	(10,000)	-	997,611	-	997,611
Buildings	200,375	3,355	-	-	(2,795)	(1,550)	24	199,409	2,783	202,192
Plant and Equipment	29,520	8,217	-	-	(5,401)	(414)	185	32,107	671	32,778
Infrastructure	671,396	9,858	-	82,885	(14,113)	-	46	750,072	1,409	751,481
	1,906,625	21,456	2,250	82,885	(22,309)	(11,964)	255	1,979,198	4,863	1,984,061

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Write Offs \$'000	Closing WIP \$'000
Buildings	24	2,783	(24)	-	2,783
Plant and Equipment	185	671	(185)	-	671
Infrastructure	46	1,409	(46)	-	1,409
Total	255	4,863	(255)	-	4,863

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 - Assets we manage (Cont'd)

Note 6.2

a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Land improvements \$'000	Total Land \$'000	Heritage Buildings \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Building Improvements \$'000	Leasehold Improvements \$'000	Total Buildings \$'000	Work In Progress \$'000	Total Property \$'000
At fair value 1 July 2018	909,279	83,902	12,154	1,005,335	-	283,440	-	-	-	283,440	24	1,288,799
Accumulated depreciation at 1 July 2018	-	-	-	-	-	(83,065)	-	-	-	(83,065)	-	(83,065)
	909,279	83,902	12,154	1,005,335	-	200,375	-	-	-	200,375	24	1,205,734
Movements in fair value												
Additions	-	-	26	26	-	3,355	-	-	-	3,355	2,783	6,164
Contributions	2,250	-	-	2,250	-	-	-	-	-	-	-	2,250
Revaluation increments (decrements)	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	(10,000)	-	-	(10,000)	-	(4,433)	-	-	-	(4,433)	-	(14,433)
Transfers	-	-	-	-	-	24	-	-	-	24	(24)	-
	(7,750)	-	26	(7,724)	-	(1,054)	-	-	-	(1,054)	2,759	(6,019)
Movements in accumulated depreciation												
Depreciation and amortisation	-	-	-	-	-	(2,795)	-	-	-	(2,795)	-	(2,795)
Revaluation increments (decrements)	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	2,883	-	-	-	2,883	-	2,883
	-	-	-	-	-	88	-	-	-	88	-	88
At fair value 30 June 2019	901,529	83,902	12,180	997,611	-	282,386	-	-	-	282,386	2,783	1,282,780
Accumulated depreciation at 30 June 2019	-	-	-	-	-	(82,977)	-	-	-	(82,977)	-	(82,977)
	901,529	83,902	12,180	997,611	-	199,409	-	-	-	199,409	2,783	1,199,803

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 - Assets we manage (Cont'd)

Note 6.2

(b) Plant and equipment

	Heritage plant and equipment	Motor Vehicles	Plant, machinery and equipment	Irrigation and sprinkler systems	Street furniture	Parks and gardens furniture and equipment	Playground equipment	Fencing	Mobile garbage bins/recycling crates	Computers and Mobile Phones	Office furniture and equipment	Library books	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	4,875	7,318	7,754	2,136	17,037	10,917	1,610	2,154	3,007	18,381	11,982	8,085	185	95,441
Accumulated depreciation at 1 July 2018	(288)	(4,810)	(4,603)	(1,553)	(12,287)	(6,582)	(1,069)	(1,849)	(2,422)	(14,500)	(9,948)	(5,824)	-	(65,733)
	4,587	2,508	3,151	583	4,750	4,335	541	305	585	3,881	2,034	2,261	185	29,708
Movements in fair value														
Additions	68	1,188	488	935	835	1,420	339	66	67	1,080	1,119	611	671	8,887
Revaluation increments (decrements)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	(3,007)	-	-	-	-	-	-	-	-	-	-	-	(3,007)
Transfers	-	-	-	53	-	(53)	-	-	-	185	-	-	(185)	-
	68	(1,819)	488	988	835	1,367	339	66	67	1,265	1,119	611	486	5,880
Movements in accumulated depreciation														
Depreciation and amortisation	(44)	(660)	(714)	(65)	(424)	(337)	(126)	(52)	(87)	(1,998)	(351)	(543)	-	(5,401)
Revaluation increments (decrements)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	2,593	-	-	-	-	-	-	-	-	-	-	-	2,593
	(44)	1,933	(714)	(65)	(424)	(337)	(126)	(52)	(87)	(1,998)	(351)	(543)	-	(2,808)
At fair value 30 June 2019	4,943	5,499	8,242	3,124	17,872	12,284	1,949	2,220	3,074	19,646	13,101	8,696	671	101,321
Accumulated depreciation at 30 June 2019	(332)	(2,877)	(5,317)	(1,618)	(12,711)	(6,919)	(1,195)	(1,901)	(2,509)	(16,498)	(10,299)	(6,367)	-	(68,543)
	4,611	2,622	2,925	1,506	5,161	5,365	754	319	565	3,148	2,802	2,329	671	32,778

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 - Assets we manage (Cont'd)

Note 6.2

(c) Infrastructure

	Roads	Footpaths and cycleways	Drainage	Kerb and channel	Bridges	Lanes	Trees and Tree Infrastructure	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	418,438	142,307	107,479	136,347	5,146	88,220	7,318	-	-	46	905,302
Accumulated depreciation at 1 July 2018	(104,019)	(30,291)	(48,904)	(31,206)	(2,551)	(16,888)	-	-	-	-	(233,859)
	314,419	112,016	58,575	105,141	2,595	71,332	7,318	-	-	46	671,442
Movements in fair value											
Additions	4,294	1,713	1,915	1,984	-	-	-	-	-	1,409	11,315
Revaluation increments (decrements)	8,202	1,945	20,463	2,664	-	2,551	-	-	-	-	35,825
Disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(46)	(46)
	12,496	3,658	22,378	4,648	-	2,551	-	-	-	1,363	47,094
Movements in accumulated depreciation											
Depreciation and amortisation	(6,385)	(2,889)	(1,044)	(2,727)	(51)	(1,017)	-	-	-	-	(14,113)
Revaluation increments (decrements)	30,878	11,334	(4,168)	7,526	-	1,487	-	-	-	-	47,057
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
	24,493	8,445	(5,212)	4,799	(51)	470	-	-	-	-	32,944
At fair value 30 June 2019	430,934	145,965	129,857	140,995	5,146	90,771	7,318	-	-	1,409	952,396
Accumulated depreciation at 30 June 2019	(79,526)	(21,846)	(54,116)	(26,407)	(2,602)	(16,418)	-	-	-	-	(200,915)
	351,408	124,119	75,741	114,588	2,544	74,353	7,318	-	-	1,409	751,481

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 - Assets we manage (Cont'd)

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

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
<i>Asset recognition thresholds and depreciation periods</i>		\$'000
Land & land improvements		
land	Nil	Nil
land improvements	Nil	10
Buildings		
buildings	100 years	10
building and leasehold improvements	100 years	10
Plant and Equipment		
heritage plant and equipment	100 years	Nil
plant, machinery and equipment	7 - 10 years	0.5
furniture, equipment & computers	3 - 10 years	0.5
library books	6 - 7 years	0.5
library audio and visual	4 years	Nil
Infrastructure		
roads - substructure	120 years	50
roads - seal	15 years	15
footpaths - substructure	75 years	25
footpaths - seal	30 years	15
kerb & channel	50 years	25
drains	120 years	25
bridges	120 years	25
lanes - substructure	120 years	50
lanes- seal	50 years	15
mobile garbage bins/recycling crates	10 years	500
irrigation & sprinkler systems	10 years	500
street furniture	20 years	500
parks & gardens furniture & equipment	20 years	500
playground equipment	10 years	500

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 below and are consistent with the prior year unless otherwise stated.

Repairs and maintenance

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

Valuation of land and buildings

Valuations of land and buildings were undertaken by a qualified independent valuer, Westlink Consulting, under the supervision of William J Graham, City Valuer, A.V.L.E (Vals), Qualified Valuer. The valuation of buildings was replacement cost less accumulated depreciation and was first applied as at 30 June 2018. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where building 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 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.

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

Notes to the Financial Report for the Year Ended 30 June 2019

Note 6 - Assets we manage (Cont'd)

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

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

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Land - Non specialised	-	83,902	-	June 2018
Land - Specialised	-	-	901,529	June 2018
Buildings - Specialised	-	-	199,409	June 2018
Total	-	83,902	1,100,938	

Valuation of infrastructure

Valuation of infrastructure assets - Roads, Footpaths, Lanes, Kerb and Channel - was undertaken by Jim Vokolos, B.Eng. (Civil), Qualified Engineer. The valuations are at replacement costs less accumulated depreciation and were first applied as at 30 June 2019.

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

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 2019 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	351,408	June 2019
Bridges	-	-	2,544	June 2013
Footpaths, Lanes and Kerb and Channel	-	-	313,061	June 2019
Drainage	-	-	75,741	June 2019
Trees	-	-	7,318	June 2004
Total	-	-	750,072	

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 15% and 30%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$600 and \$6,000 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 \$185 to \$25,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and are currently at 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 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2019	2018
	\$'000	\$'000
6.3 Investments in associates, joint arrangements and subsidiaries		
P/L (Trading as Community Chef)	230	230
Municipal Association Purchasing Scheme (Procurement Australia)	5	5
Total investments	235	235

Notes to the Financial Report for the Year Ended 30 June 2019

Note 7 People and Relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Yarra City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in note 6.3.

(b) Key Management Personnel

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

Councillors	Cr Danae Bosler (Mayor)	27 November 2018 - 30 June 2019
	Cr Danae Bosler	1 July 2018 - 26 November 2018
	Cr Daniel Nguyen (Mayor)	1 July 2018 - 26 November 2018
	Cr Daniel Nguyen	27 November 2018 - 30 June 2019
	Cr Misha Coleman (Deputy Mayor)	1 July 2018 - 30 June 2019
	Cr Jackie Fristacky	1 July 2018 - 30 June 2019
	Cr Stephen Jolly	1 July 2018 - 30 June 2019
	Cr Mi-Lin Chen Yi Mei	1 July 2018 - 30 June 2019
	Cr James Searle	1 July 2018 - 30 June 2019
	Cr Amanda Stone	1 July 2018 - 30 June 2019
	Cr Mike McEvoy	1 July 2018 - 5 April 2019
	Cr Brigid O'Brien	8 May 2019 - 30 June 2019

Chief Executive Officer & other Key Management Personnel

Chief Executive Officer	Vijaya Vaidyanath
Director Corporate Business & Finance	Diarmuid McAlary
Director Community Wellbeing	Lucas Gosling
Director City Works & Assets	Chris Leivers
Director Planning & Placemaking	Bruce Phillips
Group Manager CEO's Office	Ivan Gilbert
Group Manager People Culture & Community	Gracie Karabinis
Director Corporate Business & Finance	Andrew Day (01/07/2018-30/09/2018)
Assistant Director Planning and Placemaking	Jane Waldock (01/07/2018-22/12/2018)

	2019	2018
Total number of Councillors	10	9
Chief Executive Officer and other Key Management Personnel	9	8
Total Key Management Personnel	19	17

(c) Remuneration of Key Management Personnel

	2019 \$,000	2018 \$,000
Total remuneration of key management personnel was as follows:		
Short-term benefits*	2,133	2,211
Long-term benefits**	253	226
Total	2,386	2,437

* Short term benefits for the purpose of this disclosure include base salary, vehicle allowances, movements in short-term accrued leave entitlements and councillor allowances.

** Long term benefits for the purpose of this disclosure include movements in long-term accrued leave entitlements and superannuation.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 7 People and Relationships (Cont'd)

7.1 Council and key management remuneration (continued)

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

	2019 No	2018 No
\$1 - \$9,999	1	-
\$20,000 - \$29,999	6	7
\$30,000 - \$39,999	1	-
\$50,000 - \$59,999	1	1
\$60,000 - \$69,999	1	1
\$70,000 - \$79,999	2	-
\$140,000 - \$149,999	1	-
\$190,000 - \$199,999	1	1
\$200,000 - \$209,999	-	3
\$210,000 - \$219,999	1	-
\$220,000 - \$229,999	1	-
\$250,000 - \$259,999	-	1
\$260,000 - \$269,999	1	2
\$270,000 - \$279,999	1	-
\$370,000 - \$379,999	-	1
\$380,000 - \$389,999	1	-
	19	17

Key management personnel (KMP) include the councillors, the CEO and the Executive Management Team.

** Total remuneration for the purpose of this disclosure includes base salary, superannuation, and councillor allowances. Non-cash benefits including movements in accrued leave entitlements are excluded.

(d) Senior Officer Remuneration

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

- has management responsibilities and reports directly to the Chief Executive; and
- whose total remuneration exceeds \$148,000

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

<i>Income range:</i>	2019 No.	2018 No.
< \$148,000	4	-
\$150,000 - \$159,999	-	4
\$160,000 - \$169,999	4	2
\$170,000 - \$179,999	2	6
\$180,000 - \$189,999	5	3
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	3	-
\$240,000 - \$249,999	-	1
	18	17
	\$'000	\$'000
Total remuneration for the reporting year for Senior Officers included above, amounted to:	2,869	3,000

(e) Other Officer Remuneration

Other officers whose annual remuneration exceeds \$148,000.

<i>Income range:</i>	2019 No.	2018 No.
< \$148,000	1	-
\$148,000 - \$149,999	2	-
\$150,000 - \$159,999	6	6
\$160,000 - \$169,999	5	3
\$170,000 - \$179,999	2	1
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	-	1
	16	12
	\$'000	\$'000
Total remuneration for the reporting year for Other Officers included above, amounted to:	2,543	2,007

*Note that the comparative for 2018 has changed, to include all officers with remuneration greater than the threshold for 2017-18 which was \$147,000. Prior year numbers originally only included those officers with managerial responsibilities who exceeded this threshold.

7.2 Related party disclosures

(a) Transactions with related parties

During the period Council did not enter into transactions with related parties.

(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

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

Notes to the Financial Report 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 parts of 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:

	2019	2018
	\$'000	\$'000
Not later than one year	934	1,131
Later than one year and not later than five years	1,133	1,759
Later than five years	1,532	1,839
	3,599	4,729

Council had no other Contingent assets at balance date.

(b) Contingent liabilities

(i) arising from Public Liability

As a local authority Council manage parks, reserves, roads, and other land holdings and, as a result, receive potential claims arising from incidents which occur on land managed by Council. There are a number of outstanding claims against Council in this regard. Council carries \$600 million of public liability insurance and an excess of \$50,000 on this policy in 2018/19. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is LMI Insurance. There are no claims of which Council is aware which would fall outside the terms of Council's policy.

(ii) arising from Professional Indemnity

As a local authority with statutory regulatory responsibilities, including the responsibility of issuing permits and approvals, Council receives potential claims for damages arising from actions of Council or its officers. Council carries \$600 million of professional indemnity insurance and an excess of \$50,000 on this policy in 2018/19. Therefore, the maximum liability of Council in any single claim is the extent of its excess. The primary insurer is LMI Insurance. There are no instances or claims of which Council is aware which would fall outside the terms of Council's policy.

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 \$3,258,577 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.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 8 Managing uncertainties (Cont'd)

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'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;
- 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, infringements and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

- Council have a policy for establishing credit limits for the entities we 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 our investment policy.

Rate 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 has a material financial asset amount owing for parking infringements. A significant credit risk exists relating to these debtors and an annual impairment assessment is done.

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we 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 over non-rate receivables.

(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 in the face of the balance sheet 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 + 0.50% and -0.25% in market interest rates (AUD) from year-end rate.

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

Notes to the Financial Report for the Year Ended 30 June 2019**Note 8 Managing uncertainties (Cont'd)****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; and

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 1 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Notes to the Financial Report for the Year Ended 30 June 2019

Note 9 Other matters

	Balance at beginning of Year \$'000	Increment (decrement) \$'000	Balance at end of Year \$'000
9.1 Reserves			
(a) Asset revaluation reserves			
2019			
Property			
Land	790,652	139	790,791
Buildings	39,831	(359)	39,472
Heritage buildings	2,860	-	2,860
	<u>833,343</u>	<u>(220)</u>	<u>833,123</u>
Infrastructure			
Road Substructure	156,958	37,271	194,229
Road Seal	10,693	1,810	12,503
Footpaths Substructure	54,316	5,555	59,871
Footpaths Seal	28,770	7,725	36,495
Drains	3,609	16,294	19,903
Bridges	1,000	-	1,000
Lane Substructure	15,608	6,273	21,881
Lane Seal	45,636	(2,233)	43,403
Kerb and channel	96,858	10,190	107,048
Open space	27	-	27
Trees	13	-	13
Art, Heritage and Culture	44	-	44
	<u>413,532</u>	<u>82,885</u>	<u>496,417</u>
Total Asset revaluation reserves	1,246,875	82,665	1,329,540

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

2018

Property			
Land	620,737	169,915	790,652
Buildings	46,546	(6,715)	39,831
Heritage buildings	2,860	-	2,860
	<u>670,143</u>	<u>163,200</u>	<u>833,343</u>
Infrastructure			
Road Substructure	119,478	37,480	156,958
Road Seal	10,693	-	10,693
Footpaths Substructure	40,701	13,615	54,316
Footpaths Seal	28,770	-	28,770
Drains	3,609	-	3,609
Bridges	1,000	-	1,000
Lane Substructure	16,236	(628)	15,608
Lane Seal	45,636	-	45,636
Kerb and channel	99,355	(2,497)	96,858
Open space	-	27	27
Trees	13	-	13
Art, Heritage and Culture	44	-	44
	<u>365,535</u>	<u>47,997</u>	<u>413,532</u>
Total Asset revaluation reserves	1,035,678	211,197	1,246,875

	Balance at beginning of Year \$'000	Transfer to accumulated surplus \$'000	Transfer from accumulated surplus \$'000	Balance at end of Year \$'000
(b) Other reserves				
2019				
Statutory Reserves				
Resort and recreation (i)	3,517	(2,062)	6,344	7,799
Parking (ii)	79	-	-	79
Total Statutory Reserves	3,596	(2,062)	6,344	7,878
General Reserves				
General reserve (iii)	20,100	(20,100)	-	-
Total General Reserves	20,100	(20,100)	-	-
Total Other Reserves	23,696	(22,162)	6,344	7,878
2018				
Statutory Reserves				
Resort and recreation (i)	482	(1,771)	4,806	3,517
Parking (ii)	79	-	-	79
Total Statutory Reserves	561	(1,771)	4,806	3,596
General Reserves				
General reserve (iii)	20,100	-	-	20,100
Total General Reserves	20,100	-	-	20,100
Total Other reserves	20,661	(1,771)	4,806	23,696

(i) Resort and Recreation reserve relates to contributions received as Public Open Space Levies pursuant to the provisions of Section 18 of the *Subdivision Act 1988*. The reserve will be used to fund eligible open space capital works projects. In 2018/19 the following projects and amounts were acquitted from the Public Open Space Reserve:

Kevin Bartlett Reserve	\$410k
Edinburgh Gardens	\$158k
Barkly Gardens	\$183k
Fairfield Park Public Toilets	\$223k
Darling Gardens	\$443k
George Knott Reserve	\$159K
Other eligible open space projects	\$486k
Total	\$2,062M

(ii) Parking reserve relates to contributions received in lieu of the provision of parking spaces required for property developments. This reserve will be used in the provision of additional car parking spaces as required.

(iii) General reserve relates to unrestricted Council expenditure for a range of possible open space capital works projects. The balance of this reserve has been previously remitted and as such was transferred to retained earnings during the period.

Notes to the Financial Report for the Year Ended 30 June 2019

Note 9 Other matters (Cont'd)

9.2	Reconciliation of cash flows from operating activities to surplus/(deficit)	2019 \$'000	2018 \$'000
	Surplus/(deficit) for the year	25,922	20,869
	Depreciation	22,309	21,074
	Finance costs	2,181	2,007
	Open space contributed assets (refer Note 3.5)	(2,250)	-
	(Profit)/loss on disposal of non current assets (refer to Note 3.6)	10,996	(2,230)
	Change in assets and liabilities:		
	(Increase)/decrease in receivables	1,370	(1,660)
	(Increase)/decrease in other assets	81	(643)
	Increase/(decrease) in payables	3,807	(868)
	Increase/(decrease) in other liabilities	1,352	2,342
	(Increase)/decrease in inventories	(27)	21
	Increase/(decrease) in provisions	(51)	541
	Net cash provided by/(used in) operating activities	65,690	41,453

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.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives 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 (SG) 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. 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, 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 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)	2.5% pa.

Vision Super has advised that the VBI at 30 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 2018 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 Report for the Year Ended 30 June 2019

The 2018 interim actuarial investigation surplus amounts

The Fund's interim triennial investigation as at 30 June 2018 identified the following in the defined benefit category of which Council is a contributing employer:

	2018	2017
	\$m	\$m
1. A VBI Surplus	131.9	69.8
2. A total service liability surplus	218.3	193.5
3. A 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.

2019 interim actuarial investigation

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 in December 2019.