

WHITEHORSE CITY COUNCIL
ANNUAL FINANCIAL REPORT
For the year ended 30 June 2018

WHITEHORSE CITY COUNCIL - ANNUAL FINANCIAL REPORT 2017/18

TABLE OF CONTENTS

FINANCIAL REPORT		Page
Certification of the Financial Statements		1
Victorian Auditor-General's Office Report		2
Financial Statements		
Comprehensive Income Statement		4
Balance Sheet		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Statement of Capital Works		8
Overview		9
Notes to the Financial Statements		
Note 1	Performance against budget	
	1.1. Income and expenditure	10
	1.2. Capital works	12
Note 2	Funding for the delivery of our services	
	2.1. Rates and charges	13
	2.2. Statutory fees and fines	13
	2.3. User fees	13
	2.4. Funding from other levels of government	14
	2.5. Contributions	15
	2.6. Net gain on disposal of property, infrastructure, plant and equipment	15
	2.7. Other income	15
Note 3	The cost of delivering services	
	3.1. Employee costs	16
	3.2. Materials and services	16
	3.3. Depreciation and amortisation	16
	3.4. Other expenses	16
Note 4	Our financial position	
	4.1. Financial assets	17
	4.2. Non-financial assets	18
	4.3. Payables	19
	4.4. Interest bearing liabilities	20
	4.5. Provisions	20
	4.6. Other liabilities	22
	4.7. Financing arrangements	22
	4.8. Commitments	23
Note 5	Assets managed by Council	
	5.1. Non current assets classified as held for sale	24
	5.2. Property, infrastructure, plant and equipment	25
	5.3. Investments in associates	33
Note 6	People and relationships	
	6.1. Council and key management remuneration	34
	6.2. Related party disclosure	35
Note 7	Managing uncertainties	
	7.1. Contingent liabilities	36
	7.2. Change in accounting standards	36
	7.3. Financial instruments	37
	7.4. Fair value measurement	39
	7.5. Events occurring after balance date	39
Note 8	Other matters	
	8.1 Reserves	40
	8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	42
	8.3 Superannuation	42

WHITEHORSE CITY COUNCIL - ANNUAL FINANCIAL REPORT 2017/18

CERTIFICATION OF THE ANNUAL 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.

Stuart Cann CPA
Principal Accounting Officer
Dated: 20 August 2018
Nunawading

In our opinion, the Financial Statements present fairly the financial transactions of Whitehorse City Council for the year ended 30 June 2018 and the financial position of 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 Council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify the financial statements in their final form.

Denise Massoud
Councillor
Dated: 20 August 2018
Nunawading

Ben Stennett
Councillor
Dated: 20 August 2018
Nunawading

Noelene Duff
Chief Executive Officer
Dated: 20 August 2018
Nunawading

**COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	111,953	108,151
Statutory fees and fines	2.2	8,240	7,271
User fees	2.3	38,906	39,666
Grants - operating	2.4	19,587	20,685
Grants - capital	2.4	914	1,476
Contributions	2.5	12,125	9,897
Net gain on disposal of property, infrastructure, plant and equipment	2.6	539	1,466
Interest income		3,830	3,241
Other income	2.7	4,395	4,927
Total Income		<u>200,489</u>	<u>196,780</u>
Expenses			
Employee costs	3.1	72,004	68,177
Materials and services	3.2	56,631	54,739
Depreciation and amortisation	3.3	24,918	24,656
Borrowing costs		229	266
Contributions expense - Whitehorse Manningham Library		5,154	5,026
Share of net loss in associates	5.3	1,003	(477)
Other expenses	3.4	2,714	2,458
Total expenses		<u>162,653</u>	<u>154,845</u>
Surplus for the year		<u>37,836</u>	<u>41,935</u>
Other comprehensive income			
Items that will not be reclassified to surplus in future periods			
Net asset revaluation increment/(decrement)	8.1	(1,906)	743,898
Total comprehensive result		<u>35,930</u>	<u>785,833</u>

The Comprehensive Income Statement should be read with the accompanying notes.

WHITEHORSE CITY COUNCIL - ANNUAL FINANCIAL REPORT 2017/18

BALANCE SHEET AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	10,999	18,205
Other financial assets	4.1	163,326	125,723
Trade and other receivables	4.1	11,083	10,856
Non-current assets classified as held for sale	5.1	18,774	18,954
Other assets	4.2	1,153	2,350
Total current assets		<u>205,335</u>	<u>176,088</u>
Non-current assets			
Trade and other receivables	4.1	41	44
Investment in associates and joint operation	5.3	5,737	6,740
Property, infrastructure, plant and equipment	5.2	3,609,360	2,956,546
Intangible assets	4.2	1,092	940
Total non-current assets		<u>3,616,230</u>	<u>2,964,270</u>
Total assets		<u>3,821,565</u>	<u>3,140,358</u>
Liabilities			
Current liabilities			
Trade and other payables	4.3	15,365	16,808
Trust funds and deposits	4.3	10,592	9,899
Interest bearing loans and borrowings	4.4	57	436
Provisions	4.5	15,468	14,679
Total current liabilities		<u>41,482</u>	<u>41,822</u>
Non-current liabilities			
Interest bearing loans and borrowings	4.4	5,042	5,008
Provisions	4.5	1,500	1,781
Other liabilities	4.6	903	554
Total non-current liabilities		<u>7,445</u>	<u>7,343</u>
Total liabilities		<u>48,927</u>	<u>49,165</u>
Net assets		<u>3,772,638</u>	<u>3,091,193</u>
Equity			
Accumulated surplus		1,454,895	784,114
Reserves	8.1	2,317,743	2,307,079
Total equity		<u>3,772,638</u>	<u>3,091,193</u>

The Balance Sheet should be read with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

2018	Note	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Total \$'000
Balance at beginning of the financial year		784,114	2,234,725	72,354	3,091,193
Surplus for the year		37,836	-	-	37,836
Adoption of Land Under Roads valuation (AASB 1051)		645,515	-	-	645,515
Net asset revaluation increment	8.1	-	(1,906)	-	(1,906)
Transfers to other reserves	8.1	3,078	-	15,648	18,726
Transfers from other reserves	8.1	(15,648)	-	(3,078)	(18,726)
Balance at end of the financial year		1,454,895	2,232,819	84,924	3,772,638

2017	Note	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Other reserves \$'000	Total \$'000
Balance at beginning of the financial year		753,884	1,490,827	60,649	2,305,360
Surplus for the year		41,935	-	-	41,935
Net asset revaluation increment	8.1	-	743,898	-	743,898
Transfers to other reserves	8.1	4,512	-	16,217	20,729
Transfers from other reserves	8.1	(16,217)	-	(4,512)	(20,729)
Balance at end of the financial year		784,114	2,234,725	72,354	3,091,193

The Statement of Changes in Equity should be read with the accompanying notes.

**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		111,784	107,954
Statutory fees and fines		8,041	7,551
User fees		41,018	41,555
Grants - operating		20,394	21,599
Grants - capital		952	1,537
Contributions - monetary		11,472	9,662
Interest received		3,830	3,241
Net Trust funds and deposits		693	667
Other receipts		3,883	3,234
Net GST refund/payment		5,518	5,266
Employee costs		(71,667)	(68,116)
Materials and services		(64,040)	(66,881)
Other payments		(8,603)	(7,912)
Net cash provided by operating activities	8.2	<u>63,274</u>	<u>59,357</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(35,740)	(34,659)
Proceeds from sale of property, infrastructure, plant and equipment		3,435	5,137
Payments for investments		(189,826)	(243,223) *
Proceeds from sale of investments		152,223	218,143 *
Payment of loans and advances from community organisations		3	2
Net cash used in investing activities		<u>(69,905)</u>	<u>(54,600)</u>
Cash flows from financing activities			
Finance costs		(230)	(266)
Repayment of borrowings		(345)	(402)
Net cash used in financing activities		<u>(575)</u>	<u>(668)</u>
Net increase (decrease) in cash and cash equivalents		(7,206)	4,089
Cash and cash equivalents at beginning of the financial year		18,205	14,116
Cash and cash equivalents at end of the financial year	4.1	<u>10,999</u>	<u>18,205</u>
Financing arrangements	4.7		
Restrictions on cash assets	4.1		

The Statement of Cash Flows should be read with the accompanying notes.

* Please note 2016/17 comparatives for Payments for investments and Proceeds from sale of investments have been restated as per the following:

	2017 Original \$'000	2017 Restated \$'000	Overall Difference \$'000
Payments for investments	(286,223)	(243,223)	(43,000)
Proceeds from sale of investments	<u>261,143</u>	<u>218,143</u>	<u>43,000</u>
	<u>(25,080)</u>	<u>(25,080)</u>	<u>0</u>

**STATEMENT OF CAPITAL WORKS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$'000	2017 \$'000
Property		
Land	-	2,864
Buildings	5,670	4,503
Building Improvements	6,030	3,967
Total Property	11,700	11,334
Plant and Equipment		
Plant, machinery and equipment	3,581	3,573
Fixtures, fittings and furniture	265	107
Computers and telecommunications	1,647	918
Total Plant and Equipment	5,493	4,598
Infrastructure		
Roads	5,541	4,976
Bridges	123	43
Footpaths and cycleways	3,387	3,875
Drainage	2,090	2,216
Recreational, leisure and community facilities	3,484	3,584
Parks, open space and streetscapes	2,625	3,562
Off street car parks	107	371
Other infrastructure	1,190	100
Total infrastructure	18,547	18,727
Total capital works expenditure	35,740	34,659
Represented by:		
New asset expenditure	1,327	5,149
Asset renewal expenditure	29,408	25,046
Asset expansion expenditure	3,654	2,526
Asset upgrade expenditure	1,351	1,938
Total capital works expenditure	35,740	34,659

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

OVERVIEW

Introduction

The Whitehorse City Council was established by an Order of Governor in Council on 15th December 1994 and is a body corporate. Council's main office is located at 379-397 Whitehorse Road, Nunawading VIC 3131.

Statement of Compliance

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

Significant Accounting Policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 5.2)
- the determination of employee provisions (refer to note 4.5)
- 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.

Goods and services tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS 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 10% and \$1 million where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the material variance is considered to be significant in nature.

The budget figures detailed below are those adopted by Council on 26 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	Variance %	Ref
Income					
Rates and charges	111,623	111,953	330	0.3	
Statutory fees and fines	7,164	8,240	1,076	15.0	1
User fees	40,804	38,906	(1,898)	(4.7)	2
Grants - operating	16,238	19,587	3,349	20.6	3
Grants - capital	488	914	426	87.3	
Contributions	9,406	12,125	2,719	28.9	4
Net gain on disposal of property, infrastructure, plant and equipment	229	539	310	135	
Interest income	3,781	3,830	49	1.3	
Other income	3,105	4,395	1,290	41.5	
Total Income	192,838	200,489	7,651	4.0	
Expenses					
Employee costs	73,740	72,004	1,736	2.4	5
Materials and services	58,672	56,631	2,041	3.5	6
Depreciation and amortisation	26,106	24,918	1,188	4.6	7
Interest expense	232	229	3	1.3	
Contributions - Whitehorse Manningham Regional Library Corporation	5,064	5,154	(90)	(1.8)	
Share of net gain/(loss) of associates	-	1,003	(1,003)	(100.0)	8
Other expenses	2,292	2,714	(422)	(18.4)	
Total expenses	166,106	162,653	3,453	2.1	
Surplus for the year	26,732	37,836	11,104	41.5	
Other comprehensive income					
Revaluation of property, infrastructure, plant and equipment	-	(1,906)	(1,906)	-	
Total comprehensive result	26,732	35,930	9,198	34.4	

(i) Explanation of material variances

1 Statutory fees and fines:

This variance mainly reflects a \$0.551m increase in parking infringement income due to an increase in infringements issued relating to the extended hours monitoring service, and a \$0.481m increase in statutory planning fees due to continued strong demand for planning application permits.

2 User fees:

User fees were \$1.898m lower than budget mainly due to a \$1.135m income received from Swim Schools from user fees to other income. There was also a \$0.385m decrease in Whitehorse Recycling and Waste Centre patronage during the first half of the year which is primarily attributed to a new 24-hour facility opening in Dandenong South and due to a significant machinery failure which resulted in large customers being turned away from the Whitehorse Recycling and Waste Centre for 7 days in September.

3 Grants - operating:

Grants - operating were \$3.349 higher than budget mainly reflecting \$2.328m of the 2018-19 Financial Assistance Grant being provided in June 2018 by Victoria Grants Commission. Additional funding was also received for Health and Family Services of \$0.337m, and \$0.257m Disaster Relief funding was received in relation to an extreme storm event in January 2015.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 1 Performance against Budget

1.1 Income and Expenditure (continued)

4 Contributions:

Contributions were \$2.719m higher than budget mainly reflecting \$1.318m higher than anticipated public open space contributions resulting from increased property development within the municipality as well as increases in the values of properties being developed. Council also received \$1.107m of non-monetary contributions of land, building and drainage assets during the year and \$295k of unbudgeted monetary contributions towards capital projects.

5 Other income:

Other income was \$1.290m higher than budget mainly due to a reclassification of \$1.135m income received from Swim Schools from user fees to other income.

5 Employee costs:

Employee costs were \$1.736m lower than budget mainly reflecting \$0.566m savings due to the gradual recruitment of the new Digital Transformation Strategy team, a \$0.556m variance due to a delay in the implementation of Municipal Tree Study Recommendations, and \$0.347k favourable variance in Arts and Recreation Development primarily relating to Council's leisure facilities. Council's 2017/18 Workcover premium was also \$0.136m lower than budget.

6 Materials and services:

This variance primarily related to lower than budgeted expenditure on some key Council initiatives including the strategic land management program (\$0.785m), implementation of the Digital Transformation Strategy (\$0.583m) and energy efficient street lighting changeover initiative (\$0.405m). Kerbside waste collection was also lower than budgeted by \$0.837m.

7 Depreciation and amortisation:

This variance was mainly due to a change in depreciation methodology for road assets subsequent to the revaluation conducted at 30 June 2017.

8 Share of net (gain)/loss of associates:

Council's share of net loss on associates for 2017/18 was \$1.003m, \$0.973m of which relates to Council's share of the Whitehorse Manningham Regional Library Corporation and \$0.030m relating to the Narre Warren User Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTE 1 Performance against Budget

1.2 Capital Works

	Budget \$'000	Actual \$'000	Variance \$'000	Variance %	Ref
Property					
Land	1,680	-	1,680	100.0	9
Buildings	11,650	5,670	5,980	51.3	10
Building improvements	6,185	6,030	155	2.5	
Total Property	19,515	11,700	7,815		
Plant and Equipment					
Plant, machinery and equipment	3,283	3,581	(298)	(9.1)	
Fixtures, fittings and furniture	578	265	313	54.2	
Computers and telecommunications	1,405	1,647	(242)	(17.2)	
Total Plant and Equipment	5,266	5,493	(227)		
Infrastructure					
Roads	5,090	5,541	(451)	(8.9)	
Bridges	100	123	(23)	(23.0)	
Footpaths and cycleways	3,033	3,387	(354)	(11.7)	
Drainage	1,865	2,090	(225)	(12.1)	
Recreational, leisure and community facilities	2,865	3,484	(619)	(21.6)	
Waste management	1,330	1,190	140	10.5	
Parks, open space and streetscapes	3,480	2,625	855	24.6	11
Off street car parks	582	107	475	81.6	
Total Infrastructure	18,345	18,547	(202)		
Total capital works expenditure	43,126	35,740	7,386		
Represented by:					
New asset expenditure	9,830	1,327	8,503	86.5	
Asset renewal expenditure	26,796	29,408	(2,612)	(9.7)	
Asset expansion expenditure	4,682	3,654	1,028	22.0	
Asset upgrade expenditure	1,818	1,351	467	25.7	
Total capital works expenditure	43,126	35,740	7,386		

(i) Explanation of material variances

9 Land: There were no property purchases in 2017/18.

10 Buildings: This variance primarily reflects a delay in construction of the Harrow Street Car Park \$5.013m, which is now planned to be undertaken in 2018/19.

11 Parks, open space and streetscapes: This variance primarily reflects the reclassification of \$0.793m of streetscape works completed during the year to footpaths and cycleways, including works associated with streetscape upgrades in the Box Hill Central Activities Area and Mitcham Shopping Centre.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 2 Funding for the delivery of our services

Revenue recognition

Income is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and the amount of the contribution can be measured reliably.

Interest Income

Interest is recognised as it is earned.

2.1 Rates and Charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. Capital Improved Value is the value of the property, inclusive of land, buildings and other improvements.

The valuation base used to calculate general rates for 2017/18 was:

General rate	\$ 64,452,917,500	(2016/17)	\$63,595,687,500
Recreational rate	\$ 75,769,000	(2016/17)	\$86,164,000

The 2017/18 rate in the dollar of general rate assessments was 0.17143 cents of each dollar of CIV (2016/17: 0.168069 cents).

The total quantum of 'in-lieu of rates' levied on recreational assessments was \$38,967 in 2017/18 (2016/17: \$43,445).

	2018 \$'000	2017 \$'000
General rates	110,490	106,885
Supplementary rates and rate adjustments	1,123	970
Cultural and recreational	39	43
Interest on rates and charges	301	253
Total rates and charges	111,953	108,151

The date of the latest general revaluation of land for rating purposes within the municipal district was conducted on 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 is issued.

2.2 Statutory Fees and Fines

Infringement and costs	3,844	3,362
Court recoveries	723	597
Town planning fees	2,478	1,962
Land information certificates	150	151
Building services	622	604
Permits	423	595
Total statutory fees and fines	8,240	7,271

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 occurs first.

2.3 User Fees

Aged and health services	2,278	2,375
Arts and culture	2,532	2,372
Leisure centre and recreation	10,963	10,939 *
Child care/children's programs	4,141	4,416
Parking	3,388	3,386
Registration and other permits	1,822	1,619
Building services	123	162
Waste management services	12,577	12,795
Other fees and charges	1,082	1,602
Total user fees	38,906	39,666

* Swim school income has been reclassified as other income.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

		2018 \$'000	2017 \$'000
Note 2	Funding for the delivery of our services (continued)		
2.4	Funding from other levels of government		
	Grants were received in respect of the following :		
	Summary of grants		
	Commonwealth funded grants	15,927	18,176
	State funded grants	4,574	3,985
	Total grants received	20,501	22,161
	(a) Operating Grants		
	<i>Recurrent - Commonwealth Government</i>		
	Aged and disability services	6,328	6,136
	Community Safety	-	28
	Family and children	2,702	2,814
	General home care	1,389	1,314
	Financial Assistance Grants	4,628	6,439
	Other	45	46
		15,092	16,777
	<i>Recurrent - State Government</i>		
	Aged and disability services	1,566	1,646
	Community safety	216	191
	Family and children	648	502
	Maternal and child health	1,161	1,096
	School crossing supervisors	462	319
	Other	18	29
		4,071	3,783
	Total recurrent operating grants	19,163	20,560
	<i>Non-Recurrent - State Government</i>		
	Business and economic development	-	12
	Community planning	-	35
	Community safety	-	9
	Natural Disaster	257	64
	Other	167	5
		424	125
	Total non-recurrent operating grants	424	125
	Total operating grants	19,587	20,685
	(b) Capital Grants		
	<i>Recurrent - Commonwealth Government</i>		
	Roads to Recovery	835	1,379
	Total recurrent capital grants	835	1,379
	<i>Non-Recurrent - Commonwealth Government</i>		
	Infrastructure	-	20
		-	20
	<i>Non-recurrent - State Government</i>		
	Buildings	-	30
	Drainage	28	17
	Footpaths and cycleways	51	30
		79	77
	Total non-recurrent capital grants	79	97
	Total capital grants	914	1,476

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
Note 2 Funding for the delivery of our services (continued)		
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	42	191
Received during the financial year and remained unspent at balance date	250	42
Received in prior years and spent during the financial year	(42)	(191)
Balance at year end	<u>250</u>	<u>42</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.

2.5 Contributions

Monetary	11,018	9,277
Non-monetary	1,107	620
Total contributions	<u>12,125</u>	<u>9,897</u>
Contributions of non monetary assets were received in relation to the following asset classes:		
Land	460	256
Buildings	150	-
Infrastructure	497	364
	<u>1,107</u>	<u>620</u>

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

2.6 Net gain on disposal of Property, Infrastructure, Plant and Equipment

Proceeds of sale	3,435	5,137
Written down value of assets disposed	(2,896)	(3,671)
Total net gain on disposal of property, infrastructure, plant and equipment	<u>539</u>	<u>1,466</u>

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

2.7 Other Income

Cost recovery income	569	499
Recycling income	1,310	1,599
Rent	701	780
Swim school income	1,135	1,130
Other	680	919
Total other income	<u>4,395</u>	<u>4,927</u>

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

		2018 \$'000	2017 \$'000
Note 3	The cost of delivering services		
3.1	Employee costs		
	Wages and salaries	58,626	54,948
	Casual staff	5,383	5,079
	Superannuation	5,513	5,319
	Fringe benefits tax	680	787
	Staff development	988	930
	WorkCover	814	1,114
	Total employee costs	72,004	68,177
	(b) Superannuation		
	Council made contributions to the following funds:		
	Defined benefit fund		
	Employer contributions to Local Authorities Superannuation Fund (Vision Super)	430	494
		<u>430</u>	<u>494</u>
	There were no employer contributions payable at reporting date.		
	Accumulation funds		
	Employer contributions to Local Authorities Superannuation Fund (Vision Super)	3,160	3,118
	Employer contributions - other funds	1,922	1,707
		<u>5,082</u>	<u>4,825</u>
	Employer contributions payable at reporting date	\$0.521m	\$0.493m
	<i>Refer to note 8.3 for further information relating to Council's superannuation obligations.</i>		
3.2	Materials and services		
	Building maintenance	1,830	1,960
	Consultants	298	232
	Contract payments	33,568	32,197
	Council election	16	572
	Energy efficient street lighting	495	884
	General maintenance	1,175	1,017
	Information technology	1,672	1,554
	Insurance	1,064	940
	Legal expenses	1,639	1,145
	Materials and supplies	4,034	3,646
	Office administration	2,634	2,277
	Utilities	3,777	3,986
	Other services	4,429	4,329
	Total materials and services	56,631	54,739
3.3	Depreciation and amortisation		
	Property	7,257	6,798
	Plant and equipment	3,764	3,673
	Infrastructure	13,473	13,774
	Intangibles	424	411
	Total depreciation and amortisation	24,918	24,656
	<i>Refer to Note 4.2(b) and 5.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>		
3.4	Other expenses		
	Bad and doubtful debts	9	58
	Community grants	946	940
	Auditor's remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	82	70
	Auditor's remuneration - Internal audit	110	129
	Councillor allowances	400	369
	Operating lease rentals	505	375
	Fire Services Property Levy	210	213
	Share of loss in Regional Landfill Clayton South*	349	258
	Other expenses	103	46
	Total other expenses	2,714	2,458
	<i>*Refer to Note 4.6 for more details on Regional Landfill Clayton South.</i>		

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$'000	2017 \$'000
Note 4 Council's financial position		
4.1 Financial assets		
(a) Cash and Cash equivalents		
Cash at bank and on hand	10,999	13,205
Term deposits	-	5,000
Total cash and cash equivalents	10,999	18,205
(b) Other financial assets		
Term deposits - current	163,326	125,723
Total other financial assets	163,326	125,723
Total Financial assets	174,325	143,928
Council's cash, cash equivalents and other financial assets are subject to external restrictions that limit amounts available for discretionary use. These include:		
Trust funds and deposits	10,592	9,899
Public open space reserve	33,235	23,804
Car parking in lieu reserve	34	34
Total restricted funds	43,861	33,737
Total unrestricted cash, cash equivalents and other financial assets	130,464	110,191
Intended allocations		
Although not externally restricted, the following amounts have been allocated for specific future purposes by Council:		
- Aged care reserve	10,638	10,431
- Development reserve	39,269	35,075
- Waste management reserve	1,737	2,999
- Art collection reserve	11	11
	51,655	48,516
Cash and cash equivalents include cash on hand, deposits at call and other highly liquid investments with original maturities of 90 days or less, net of outstanding bank overdrafts.		
Other financial assets are valued at fair value, at balance date. Term deposits are measured at original cost. Any unrealised gains and losses on holdings at balance date are recognised as either a revenue or expense.		
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	3,432	3,264
Fire Services Property Levy debtors	404	372
Parking debtors	4,013	2,863
Provision for doubtful debts - parking debtors	(2,809)	(2,004)
GST Receivable	1,530	1,857
<i>Non statutory receivables</i>		
Unsecured loans and advances	39	43
Community loan - Nunawading Gymnastics and Sports Club	3	3
Provision for doubtful debts - community loan	(1)	(1)
Other debtors	4,681	4,746
Provision for doubtful debts - other debtors	(209)	(287)
Total trade and other receivables - current	11,083	10,856
Non-current		
<i>Non statutory receivables</i>		
Unsecured loans and advances	4	5
Community loan - Nunawading Gymnastics and Sports Club	74	77
Provision for doubtful debts - community loan	(37)	(38)
Total trade and other receivables - non-current	41	44

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 method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$'000	2017 \$'000
Note 4 Council's financial position (continued)		
(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)	4,366	4,383
30-60 days	198	140
61-90 days	13	52
Over 90 days	104	171
Other debtors	4,681	4,746
(b) Movement in provision for doubtful debts - other debtors		
Balance at 1 July	93	81
New provisions recognised during the year	49	65
Amounts already provided for and written off as uncollectible	(18)	(39)
Amounts provided for but recovered during the year	(45)	(14)
Balance at 30 June	79	93
(c) Ageing of individually impaired Receivables		
At balance date, other debtors representing financial assets with a nominal value of \$0.079m (2016/17: \$0.093m) were impaired. The amount of the provision raised against these debtors was \$0.079m (2016/17: \$0.093m). 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 other debtors that have been individually determined as impaired at reporting date was:		
Current (not yet due)	1	4
30-60 days	1	6
61-90 days	3	7
Over 90 days	74	76
Total trade & other receivables	79	93
(d) Operating lease receivables		
Council has entered into a number of commercial property leases or licensing arrangements. These arrangements consist of operating leases with remaining non-cancellable tenures of between 1 and 10 years. Rental revisions are made on a variety of bases including CPI, fixed percentage and fixed dollar amount.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
	2018 \$'000	2017 \$'000
Not later than one year	293	283
Later than one year and not later than five years	512	363
Later than five years	117	69
	922	715
4.2 Non-financial assets		
(a) Other assets		
Prepayments	922	2,136
Inventories	241	214
Provision for stock obsolescence	(10)	-
Total other assets	1,153	2,350

Prepayments are those expenses paid before services are rendered which are expected to occur in a subsequent period.

Inventories consist of Stores, Materials and Nursery plant stock 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
Note 4 Council's financial position (continued)		
(b) Intangible assets		
Software	<u>1,092</u>	<u>940</u>
Gross carrying amount		
Balance at beginning of year	3,295	2,822
Additions	576	379
Disposals	(931)	-
Transfers	-	94
Balance at end of year	<u>2,940</u>	<u>3,295</u>
Accumulated amortisation and impairment		
Balance at beginning of year	(2,355)	(1,944)
Amortisation expense	(424)	(411)
Disposals	931	-
Balance at end of year	<u>(1,848)</u>	<u>(2,355)</u>
Net book value at the end of the year	<u>1,092</u>	<u>940</u>

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

4.3 Payables**(a) Trade and other payables**

Trade payables	15,365	16,808
Total trade and other payables	<u>15,365</u>	<u>16,808</u>

(b) Trust funds and deposits

Narre Warren User Group	1,861	1,923
Fire Services Property Levy	1,282	1,311
Deposits for asset protection	5,444	4,831
Other deposits	2,005	1,834
Total trust funds and deposits	<u>10,592</u>	<u>9,899</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, resulting in Council gaining control of the funds, are to be recognised as revenue at the time of forfeit.

Purpose and nature of items

Narre Warren User Group (NWUG) - Council holds the cash investment for NWUG and surplus is generated from the interest and gas royalty returns less site monitoring costs.

Fire Services Property Levy - Council is the collection agent for the Fire Services Property Levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed are to be remitted to the State Government in line with this process.

Deposits for asset protection - Deposits are taken by Council in relation to building works to protect Council's assets.

Other deposits - Deposits are taken by Council as a form of surety in a number of circumstances such as tender deposits, contract deposits and the use of civic facilities. Other deposits also include Retention amounts where Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$'000	2017 \$'000
Note 4 Council's financial position (continued)		
4.4 Interest-bearing liabilities		
Current		
Loans and borrowings - secured (1)	-	426
Finance lease	57	10
	<u>57</u>	<u>436</u>
Non-current		
Loans and borrowings - secured (1)	5,000	5,000
Finance lease	42	8
	<u>5,042</u>	<u>5,008</u>
Total	<u>5,099</u>	<u>5,444</u>
(1) Council's borrowings are secured by way of mortgage over general rate income.		
(a) The maturity profile for Council's borrowings is:		
Not later than one year	-	426
Later than one year and not later than five years	5,000	5,000
Later than five years	-	-
	<u>5,000</u>	<u>5,426</u>
Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether 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. Council determines the classification of its interest bearing liabilities at initial recognition.		
(b) The maturity profile for Council's finance lease liabilities is:		
Not later than one year	57	10
Later than one year and not later than five years	42	8
	<u>99</u>	<u>18</u>
Minimum future lease payments	109	21
Less future finance charges	10	3
Present value of minimum lease payments	<u>99</u>	<u>18</u>

The Finance Lease repayments are specified within the loan agreements with BOQ Finance Limited and CarePark Pty Ltd.

4.5 Provisions

	Employee Provisions \$'000	Other Provisions \$'000	Total \$'000
2018			
Balance at beginning of the financial year	16,460	-	16,460
Additional provisions	6,472	-	6,472
Amounts used	(5,940)	-	(5,940)
Increase in the discounted amount arising because of time and effect of any change in the discount rate	(24)	-	(24)
Balance at the end of the financial year	<u>16,968</u>	<u>-</u>	<u>16,968</u>
2017			
Balance at beginning of the financial year	16,906	79	16,985
Additional provisions	5,684	-	5,684
Amounts used	(5,727) *	(79)	(5,806)
Increase in the discounted amount arising because of time and effect of any change in the discount rate	(403)	-	(403)
Balance at the end of the financial year	<u>16,460</u>	<u>-</u>	<u>16,460</u>

* Amount has been restated to include leave paid on termination.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	2018 \$'000	2017 \$'000
Note 4 Council's financial position (continued)		
Current provision expected to be wholly settled within 12 months		
Annual leave	4,187	4,221
Long service leave	862	849
	<u>5,049</u>	<u>5,070</u>
Current provision expected to be wholly settled after 12 months		
Annual leave	1,026	1,032
Long service leave	9,393	8,577
	<u>10,419</u>	<u>9,609</u>
Total current employee provisions	<u>15,468</u>	<u>14,679</u>
Non-current		
Long service leave	1,500	1,781
Total non- current employee provisions	<u>1,500</u>	<u>1,781</u>
Aggregate carrying amount of employee provisions		
Current	15,468	14,679
Non-current	1,500	1,781
Total aggregate carrying amount of employee provisions	<u>16,968</u>	<u>16,460</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 and annual leave which are 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 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
Key assumptions		
- discount rate	2.65%	2.61%
- inflation rate	3.30%	3.00%
- settlement rate	8.58%	9.04%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

		2018 \$'000	2017 \$'000
Note 4	Council's financial position (continued)		
4.6	Other Liabilities		
	Non-current		
	Clayton Landfill Funding Obligation	903	554
	Total other liabilities - non-current	<u>903</u>	<u>554</u>

Council holds an interest of 14.12% (2016/17:14.12%) in Regional Landfill Clayton South. The principal activity is the provision of a refuse disposal site for member Councils. The liability represents Council's share of future funding for the Clayton landfill site's aftercare management costs. The Clayton landfill provision is calculated using the present value of aftercare costs associated with the site based on independent advice from landfill experts Golder Associates.

The provision includes capping and gas infrastructure capital works and additional aftercare management costs for the next 27 years until 2045. The provision is reassessed at the end of each reporting period in order to ensure that it accurately reflects the cost of aftercare management of the site. Further costs may arise for future aftercare of the landfill site however at this stage, these costs are too uncertain to reliably determine. At balance date the landfill itself retains sufficient liquidity to fund the post closure capital works and aftercare management costs for the medium term. It is, however likely that additional Council funding will be required to support the entity in the longer term.

Whitehorse City Council has a joint arrangement interest in the Regional Landfill Clayton South together with four other Councils:

Whitehorse City Council	14.12%
Monash City Council	16.80%
Boroondara City Council	35.22%
Glen Eira City Council	21.10%
Stonnington City Council	12.76%
	<u>100.00%</u>

4.7 Financing Arrangements

Bank overdraft	100	100
Credit card facilities	60	60
Total facilities	<u>160</u>	<u>160</u>
Used facilities	54	52
Unused facilities	106	108
	<u>160</u>	<u>160</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
Note 4 Council's financial position (continued)
4.8 Commitments

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.

	Less than 1 year \$'000	1 year and not later than 2 years \$'000	Later than 2 years and not later than 5 years \$'000	Later than 5 years \$'000	Total \$'000
2018					
Operating					
Street sweeping	569	68	11	-	648
Community programs	262	87	-	-	349
Cleaning of Council buildings	346	125	2	-	473
Maintenance of Council assets	472	338	-	-	810
Professional services	607	119	-	-	726
Other services	3,412	606	606	-	4,624
Total operating commitments	5,668	1,343	619	-	7,630
Capital					
Buildings	203	-	-	-	203
Information Technology	433	-	-	-	433
Parks open spaces and streetscapes	431	-	-	-	431
Total capital commitments	1,067	-	-	-	1,067

Please note the 2016/17 Commitment comparative figures have been restated.

2017 (Restated)

Operating					
Street sweeping	541	569	79	-	1,189
Community programs	262	262	87	-	611
Cleaning of Council buildings	428	346	127	-	901
Maintenance of Council assets	539	472	338	-	1,349
Professional services	790	607	119	-	1,516
Other services	3,286	2,806	-	-	6,092
Total operating commitments	5,846	5,062	750	-	11,658
Capital					
Buildings	3,829	-	-	-	3,829
Information Technology	415	433	-	-	848
Parks open spaces and streetscapes	1,326	-	-	-	1,326
Total capital commitments	5,570	433	-	-	6,003

2017 (Original)

Operating					
Street sweeping	1,021	519	-	-	1,540
Community programs	33	-	-	-	33
Cleaning of Council buildings	1,299	189	-	-	1,488
Maintenance of Council assets	121	-	-	-	121
Professional services	751	646	-	-	1,397
Other services	251	-	-	-	251
Total operating commitments	3,476	1,354	-	-	4,830
Capital					
Buildings	5,877	-	-	-	5,877
Information Technology	25	-	-	-	25
Parks open spaces and streetscapes	1,120	-	-	-	1,120
Total capital commitments	7,022	-	-	-	7,022

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 4 Council's financial position (continued)

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	262	278
Later than one year and not later than five years	387	385
Later than five years	-	-
	<u>649</u>	<u>663</u>

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

Note 5 Assets managed by Council

5.1 Non current assets classified as held for sale

Land	18,750	18,930
Buildings	24	24
	<u>18,774</u>	<u>18,954</u>

In April 2016 Council having considered public submissions resolved to sell the property known as 2-4 Bruce Street Box Hill in accordance with the public notice published in The Age on 20 February 2016. The final sale settlement had not occurred at balance date but is expected to occur in 2018/19.

In July 2016 Council resolved at a Special Meeting to accept a formal offer to sell the property known as 517-521 Station Street, Box Hill. The final sale settlement had not occurred at balance date but is expected to occur in 2018/19.

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

WHITEHORSE CITY COUNCIL - ANNUAL FINANCIAL REPORT 2017/18

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

5.2 Property, Infrastructure, Plant and Equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value	Accumulated Depreciation	WDV	Acquisitions	Contributions	Impairment	Depreciation	Disposals	Transfers	At Fair Value	Accumulated Depreciation	WDV
	30 June 2017 \$'000	30 June 2017 \$'000	30 June 2017 \$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	30 June 2018 \$'000	30 June 2018 \$'000	30 June 2018 \$'000
Land	2,113,113	-	2,113,113	-	460	-	-	(1,630)	645,515	2,757,458	-	2,757,458
Buildings	498,637	(193,556)	305,081	9,545	150	(1,726)	(7,257)	-	1,719	508,325	(200,813)	307,512
Plant and Equipment	32,129	(17,354)	14,758	4,916	-	-	(3,764)	(1,266)	144	32,765	(17,977)	14,788
Infrastructure	817,606	(301,499)	516,107	15,975	497	-	(13,473)	-	2,440	836,518	(314,972)	521,546
Work in progress	7,487	-	7,487	4,728	-	-	-	-	(4,159)	8,056	-	8,056
	<u>3,468,972</u>	<u>(512,409)</u>	<u>2,956,546</u>	<u>35,164</u>	<u>1,107</u>	<u>(1,726)</u>	<u>(24,494)</u>	<u>(2,896)</u>	<u>645,659</u>	<u>4,143,122</u>	<u>(533,762)</u>	<u>3,609,360</u>

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Buildings	4,164	2,155	(1,719)	4,600
Plant and Equipment	17	1	-	18
Infrastructure	3,306	2,572	(2,440)	3,438
	<u>7,487</u>	<u>4,728</u>	<u>(4,159)</u>	<u>8,056</u>

Asset recognition thresholds and depreciation periods

Asset class	Depreciation Period	Threshold Limit
Land	-	Nil
Buildings	10-100 years	\$7,000
Plant, machinery and equipment	2-20 years	\$1,000
Fixtures, fittings and furniture	4-10 years	\$500
Computers and telecommunications	4-5 years	\$500
Roads	10-200 years	\$8,000
Bridges	10-200 years	\$3,000
Footpaths and cycleways	10-200 years	\$8,000
Drainage	20-200 years	\$2,000
Recreational, leisure and community facilities	5-25 years	\$3,000
Parks, open space and streetscapes	5-25 years	\$3,000
Off street car parks	10-25 years	\$3,000
Other infrastructure	10-200 years	\$3,000
Intangible assets	4-5 years	\$500

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

(a) Property

	Land - specialised \$'000	Land - non specialised \$'000	Land under Roads \$'000	Total Land \$'000	Buildings - specialised \$'000	Buildings - non specialised \$'000	Total Buildings \$'000	Work in Progress \$'000	Total Land and Buildings \$'000
Land and Buildings									
At fair value 30 June 2017	2,058,899	54,214	-	2,113,113	493,761	4,876	498,637	4,164	2,615,914
Accumulated depreciation at 30 June 2017	-	-	-	-	(192,730)	(826)	(193,556)	-	(193,556)
Total Land and Buildings	2,058,899	54,214	-	2,113,113	301,031	4,050	305,081	4,164	2,422,358
Movements in fair value									
Acquisitions of assets at fair value	-	-	-	-	3,573	5,972	9,545	2,155	11,700
Contributed assets	460	-	-	460	150	-	150	-	610
Adoption of Land under Roads (AASB 1051)	-	-	645,515	645,515	-	-	-	-	645,515
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-
Impairments recognised during the year	-	-	-	-	(1,598)	(128)	(1,726)	-	(1,726)
Fair value of assets disposed	(1,630)	-	-	(1,630)	-	-	-	-	(1,630)
Transfers	-	-	-	-	1,428	291	1,719	(1,719)	-
Transfer to non-current assets held for sale	-	-	-	-	-	-	-	-	-
	(1,170)	-	645,515	644,345	3,553	6,135	9,688	436	654,469
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(7,250)	(7)	(7,257)	-	(7,257)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(7,250)	(7)	(7,257)	-	(7,257)
At fair value 30 June 2018	2,057,729	54,214	645,515	2,757,458	497,314	11,011	508,325	4,600	3,270,383
Accumulated depreciation at 30 June 2018	-	-	-	-	(199,980)	(833)	(200,813)	-	(200,813)
	2,057,729	54,214	645,515	2,757,458	297,334	10,178	307,512	4,600	3,069,570

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

(b) Plant and Equipment

	Plant machinery and equipment \$'000	Fixtures fittings and furniture \$'000	Computers and telecomms \$'000	Work In Progress \$'000	Total Plant and Equipment \$'000
Plant and Equipment					
At cost 30 June 2017	20,011	5,198	6,903	17	32,129
Accumulated depreciation at 30 June 2017	(10,586)	(1,455)	(5,313)	-	(17,354)
	<u>9,425</u>	<u>3,743</u>	<u>1,590</u>	<u>17</u>	<u>14,775</u>
Movements in cost					
Acquisition of assets at cost	3,580	265	1,071	1	4,917
Contributed assets	-	-	-	-	-
Cost of assets disposed	(2,252)	-	(2,155)	-	(4,407)
Transfers	144	-	-	-	144
	<u>1,472</u>	<u>265</u>	<u>(1,084)</u>	<u>1</u>	<u>654</u>
Movements in accumulated depreciation					
Depreciation and amortisation	(2,613)	(189)	(962)	-	(3,764)
Accumulated depreciation of disposals	1,026	-	2,115	-	3,141
Transfers	-	-	-	-	-
	<u>(1,587)</u>	<u>(189)</u>	<u>1,153</u>	<u>-</u>	<u>(623)</u>
At cost 30 June 2018	21,483	5,463	5,819	18	32,783
Accumulated depreciation at 30 June 2018	(12,173)	(1,644)	(4,160)	-	(17,977)
	<u>9,310</u>	<u>3,819</u>	<u>1,659</u>	<u>18</u>	<u>14,806</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

(c) Infrastructure

	Roads \$'000	Bridges \$'000	Footpaths and cycleways \$'000	Drainage \$'000	Recreational, leisure and Community \$'000	Parks open spaces and streetscapes \$'000	Off street car parks \$'000	Other infrastructure \$'000	Work In Progress \$'000	Total Infrastructure \$'000
Infrastructure (1)										
At fair value 30 June 2017	302,671	743	101,772	222,771	48,334	104,754	13,360	23,201	3,306	820,912
Accumulated depreciation at 30 June 2017	(96,607)	(261)	(57,332)	(90,342)	(22,276)	(24,154)	(3,802)	(6,725)	-	(301,499)
	<u>206,064</u>	<u>482</u>	<u>44,440</u>	<u>132,429</u>	<u>26,058</u>	<u>80,600</u>	<u>9,558</u>	<u>16,476</u>	<u>3,306</u>	<u>519,412</u>
Movements in fair value										
Acquisition of assets at fair value	4,802	123	3,387	2,004	3,484	2,047	107	21	2,572	18,547
Contributed assets	-	-	-	497	-	-	-	-	-	497
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-	-
Fair value of assets disposed	-	-	-	-	-	-	-	-	-	-
Transfers	915	-	419	151	832	116	1	6	(2,440)	-
	<u>5,717</u>	<u>123</u>	<u>3,806</u>	<u>2,652</u>	<u>4,316</u>	<u>2,163</u>	<u>108</u>	<u>27</u>	<u>132</u>	<u>19,044</u>
Movements in accumulated depreciation										
Depreciation and amortisation	(3,975)	(41)	(1,205)	(2,232)	(2,525)	(2,669)	(223)	(603)	-	(13,473)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Transfers	(3,975)	(41)	(1,205)	(2,232)	(2,525)	(2,669)	(223)	(603)	-	(13,473)
	<u>(3,975)</u>	<u>(41)</u>	<u>(1,205)</u>	<u>(2,232)</u>	<u>(2,525)</u>	<u>(2,669)</u>	<u>(223)</u>	<u>(603)</u>	<u>-</u>	<u>(13,473)</u>
At fair value 30 June 2018	308,388	866	105,578	225,423	52,650	106,917	13,468	23,228	3,438	839,956
Accumulated depreciation at 30 June 2018	(100,582)	(302)	(58,537)	(92,574)	(24,801)	(26,823)	(4,025)	(7,328)	-	(314,972)
	<u>207,806</u>	<u>564</u>	<u>47,041</u>	<u>132,849</u>	<u>27,849</u>	<u>80,094</u>	<u>9,443</u>	<u>15,900</u>	<u>3,438</u>	<u>524,984</u>

(1) It has been identified in 2017/18 that the classification of the revaluation increments/decrements for Roads, Footpaths and cycleways, Off street car parks and Other Infrastructure was misstated in 2016/17. This misallocation between the classes occurred when transposing the increment/decrements between the classes when completing the note. The resulting affect of this misallocation is as follows:

	2016/17 Closing Balances			2016/17 Restated Closing Balances			Over/Under Statement		
	Fair Value \$'000	Accumulated Depreciation \$'000	Closing WDV \$'000	Fair Value \$'000	Accumulated Depreciation \$'000	Restated WDV \$'000	Fair Value \$'000	Accumulated Depreciation \$'000	Restated WDV \$'000
Roads	322,859	(115,383)	207,476	302,671	(96,607)	206,064	20,188	(18,776)	1,412
Footpaths	111,023	(63,181)	47,842	101,772	(57,332)	44,440	9,251	(5,849)	3,402
Off street car parks	7,680	(4,058)	3,622	13,360	(3,802)	9,558	5,680	(256)	5,936
Other Infrastructure	24,402	(6,804)	17,598	23,201	(6,725)	16,476	1,201	(79)	1,122
	<u>465,964</u>	<u>(189,426)</u>	<u>276,538</u>	<u>441,004</u>	<u>(164,466)</u>	<u>276,538</u>	<u>24,960</u>	<u>(24,960)</u>	<u>-</u>

Please note that Drainage's opening balances have been restated due to a misallocation in the 2016/17 closing balances.

	2017 Closing Balances \$'000	2017 Restated Balances \$'000	Over/Under Statement \$'000
Drainage			
Fair Value	217,586	222,771	(5,185)
Accumulated Depreciation	(85,157)	(90,342)	5,185
WDV	<u>132,429</u>	<u>132,429</u>	<u>-</u>

There was no overall misstatement in relation to Infrastructure's WDV in 2016/17

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 5 Assets managed by Council

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 and an appropriate share of directly attributable variable and fixed overheads.

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

Land under roads

Council has commenced recognising Land under Roads in 2017/18 in accordance with Accounting Standards *AASB 1051 ("Land Under Roads")* at Fair Value. The fair value of Land under Roads as at 30 June 2018 is \$645,515,000.

Depreciation and amortisation

Buildings, infrastructure, plant and equipment, and other assets having limited useful lives are systematically depreciated or amortised over their useful lives to 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 and amortisation 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.

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.

Finance Leases

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to Council where it is likely that Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Leased assets are currently being amortised over a 3 year period.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

Valuation of Land and Buildings

A formal valuation of land and buildings is conducted as part of a 3 year rotation cycle unless a desktop review indicates a material difference between the fair value and the carrying amount of the assets. The previous formal valuation was conducted in 2016/17. A review of land and buildings in 2017/18 did not warrant a full revaluation.

Valuations of land and buildings are undertaken by an independent valuation firm, Matheson Stephen Valuations. The name of the valuer from the firm is Ms Lee-Ming Tan (AAPI Certified Practising Valuer Registration 72912). The valuer reports to Council's Property Supervisor Mr Rohan Fiedler (AAPI Certified Practising Valuer Registration 62553) and Councils Manager Property and Rates, Mr Tony Peak(AAPI Certified Practising Valuer Registration 62445).

The valuation of land 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. The valuation of buildings is at fair value, being the depreciated replacement cost of the buildings based on the remaining economic life. The valuations include unobservable inputs 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.

Specialised Land - Land under Roads initial valuation

The initial valuation of Land under Roads was undertaken by an independent valuation firm, Matheson Stephen Valuations. The name of the valuer from the firm is Andrew Brennan (AAPI Certified Practising Valuer Registration 73379). The valuer reported to Council's Property Supervisor Mr Rohan Fiedler (AAPI Certified Practising Valuer Registration 62553) and Councils Manager Property and Rates, Mr Tony Peak(AAPI Certified Practising Valuer Registration 62445).

Land under Roads 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.

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 \$000	Level 2 \$000	Level 3 \$000	Date of Valuation
Land - Non specialised	-	54,214	-	30/06/2017
Land - Specialised	-	-	2,057,729	30/06/2017
Land under Roads	-	-	645,515	30/06/2018
Buildings - Non specialised	-	10,178	-	30/06/2017
Buildings - Specialised	-	-	297,334	30/06/2017
Total	-	64,392	3,000,578	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 5 Assets managed by Council (continued)

Valuation of Infrastructure

A formal valuation of Infrastructure assets is conducted as part of a 3 year rotation cycle unless a desktop review indicates a material difference between the fair value and the carrying amount of the assets. The previous formal valuation of Road assets was conducted in 2016/17 while Drainage assets were revalued in 2015/16. A review of Infrastructure assets in 2017/18 did not warrant a full revaluation.

Valuation of roads (which includes pavement, substructure, kerb and channel, footpaths, traffic management devices and car parks) and drainage assets are undertaken by Council's Manager of Engineering and Environmental Services, Mr Ilias Kostopoulos Dip CE, Grad Dip Mun. Eng. and Man., MIE Aust, CPEng. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. It should be noted that in calculating the written down replacement cost of roads and drainage that valuations of infrastructure assets were made using a Greenfields assumption.

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Date of Valuation
Roads	-	-	207,806	30/06/2017
Bridges	-	-	564	30/06/2017
Footpaths and cycleways	-	-	47,041	30/06/2017
Drainage	-	-	132,849	30/06/2016
Recreational, leisure and community facilities	-	-	27,849	30/06/2017
Parks open spaces and streetscapes	-	-	80,094	30/06/2017
Off street car parks	-	-	9,443	30/06/2017
Other infrastructure	-	-	15,900	30/06/2017
Total	<u>-</u>	<u>-</u>	<u>521,546</u>	

Description of significant unobservable inputs into level 3 valuations

Specialised Land

Specialised land is valued using a market based direct comparison technique, with adjustments made for unobservable inputs including restrictive planning zones, encumbrances on title, adjustments for land size, shape, and topography. The extent and impact of restrictions varies and results in a reduction to surrounding land values of between 5% and 95%. The market value of land varies significantly depending on the characteristics of the land. Currently land values range between \$33 and \$11,110 per square metre.

Land under Roads

The initial Land under Roads valuation recognised the site value across the municipality, expressed as a an average site value rate per square metre and adjusts this rate, firstly to assume an 'inglobo' basis (where land is undeveloped, un-subdivided and exists in its theoretical 'raw' form) and secondly to reflect the possible or actual presence of carriageway rights and infrastructure assets to the roadways. The aggregate adjustment for these two factors is a 95% deduction from the average site value rate to arrive at a value for Land under Roads. The calculated value of Land under Roads per square metre was \$67.54 while the assessed area of roads was 9,557,568 square metres.

Specialised Buildings

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs are calculated on a square metre basis and ranges from \$135 to \$3,550 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 118 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 5 Assets managed by Council (continued)

Infrastructure Assets

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. Current replacement costs for road assets are calculated using unit rates based on both a cubic metre basis (ranges from \$128 to \$736 per cubic metre) and a square metre basis (ranges from \$7.30 to \$205.73 per square metre) depending on the material used. Current replacement costs for drainage are calculated using unit rates based on metres for pipes (ranges from \$65 to \$1,089 per metre) and per unit for pits (ranges from \$1,014 to \$4,313 per pit). The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 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.

Reconciliation of specialised land	2018 \$'000	2017 \$'000
Land under Roads (1)	645,515	-
Parks and reserves	2,057,729	2,058,899
Total specialised land	<u>2,703,244</u>	<u>2,058,899</u>

(1) Council commenced valuing Land under Roads in 2017/18

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018 \$'000	2017 \$'000
Note 5 Assets managed by Council (continued)		
5.3 Investments in Associates		
Investments in associates accounted for by the equity method are:		
- Whitehorse Manningham Regional Library Corporation	4,827	5,800
- Narre Warren User Group	910	940
Fair value of Council's investment in associates and joint operation	5,737	6,740
Share of net gain/(loss) of associates		
- Whitehorse Manningham Regional Library Corporation*	(973)	467
- Narre Warren User Group	(30)	10
Total share of net gain/(loss) at 30 June	(1,003)	477

* The July to September 2017 Council Contribution of \$1,266m was received from the City of Whitehorse in June 2017.

Associates are all entities over which Council has significant influence but no control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. Council's associates are Whitehorse Manningham Regional Library Corporation and Narre Warren User Group.

Whitehorse Manningham Regional Library Corporation

On 21 December 1995 Council's library operation was combined with the Regional Authority to form Whitehorse Manningham Regional Library Corporation (the Corporation). Council has a 60% interest (as per funding responsibilities) and a 68.43% (2016/17: 68.75%) economic entitlement in the net assets of the Corporation but does not have effective control, as both Whitehorse and Manningham Councils possess the same voting rights on the board of management. The Corporation is established by agreement between the two participating councils. The principal activity of the Corporation is the lending of books and other materials.

	2018 \$000	2017 \$000
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	3,102	2,665
Share of surplus(deficit) for year	(965)	398
Transfers (to) from reserves	(15)	39
Amendment to share of surplus based on audited results	20	-
Share of accumulated surplus at 30 June	2,142	3,102
Council's share of reserves		
Council's share of reserve at start of year	2,698	2,668
Transfers (to) from reserves	(13)	30
Council's share of reserves at end of year	2,685	2,698
Movement in carrying value of investment		
Carrying value of investment at start of year	5,800	5,333
Share of surplus (deficit) for the year	(965)	398
Transfers (to) from reserves	(28)	69
Amendment to share of surplus based on audited results	20	-
Carrying value of investment at end of year	4,827	5,800

Narre Warren User Group

Council holds an interest of 48.88% (2016/17: 48.88%) in Narre Warren User Group (NWUG). The principal activity of NWUG is to monitor the closed regional landfill that was previously used by Council. Contributions by Council to NWUG during the period totalled nil (2016/17: nil). Council holds the cash investment for NWUG and surplus is generated from the interest and gas royalty returns less site monitoring costs.

	2018 \$000	2017 \$000
Movement in carrying value of investment		
Carrying value of investment at start of year	940	930
Share of surplus for the year	(30)	10
Carrying value of investment at end of year	910	940

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 6 People and relationships

6.1 Council and key management remuneration

(a) Related Parties

Parent entity

Whitehorse City Council is the parent entity.

Subsidiaries, Associates and Joint Arrangements

Interests in subsidiaries, associates and joint arrangements are detailed in note 5.3.

(b) Key Management Personnel

2018 No.	2017 No.
-------------	-------------

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

Councillors

Bill Bennett
Raylene Carr
Andrew Davenport - Mayor from 30 October 2017
Sharon Ellis
Ben Stennett
Denise Massoud - Mayor from 9 November 2016 to 29 October 2017
Andrew Munroe
Prue Cutts
Tina Liu
Blair Barker

Total Number of Councillors

Chief Executive Officer and other Key Management Personnel

10	14 *
5	5
15	19

* Notes re: Councillor numbers and terms:

Councillor Robert Chong AM, Councillor Helen Harris OAM, Councillor Philip Daw: *1 July 2016 until 21 October 2016*

Councillor Tanya Tescher: *from 9 November 2016 to 3 April 2017*

Councillor Prue Cutts and Councillor Tina Liu: *from 9 November 2016*

Councillor Blair Barker: *from 15 May 2017*

(c) Remuneration of Key Management Personnel

2018 \$'000	2017 \$'000
----------------	----------------

Total remuneration of key management personnel was as follows:

Short-term benefits	1,729	1,639 *
Post-employment benefits	122	118
Long-term benefits	21	32
Termination benefits	-	-
Total	1,872	1,789

* The comparative for Short-term benefits has been updated to include remuneration omitted in 2016/17.

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

2018 No.	2017 No.
-------------	-------------

Total remuneration range

\$1 - \$9,999	-	3
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	-	2
\$30,000 - \$39,999	8	7
\$60,000 - \$69,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	1	1
\$260,000 - \$269,999	2	2
\$270,000 - \$279,999	1	-
\$380,000 - \$389,999	-	1
\$390,000 - \$399,999	1	-
	15	19

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 6 People and relationships (continued)

(d) Senior Officer Remuneration

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$145,000

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

	2018 No.	2017 No.
Total remuneration range		
\$145,000 - \$149,999	1	2
\$150,000 - \$159,999	2	2
\$160,000 - \$169,999	2	4
\$170,000 - \$179,999	4	4
\$180,000 - \$189,999	3	3
\$190,000 - \$199,999	2	1
\$200,000 - \$209,999	2	-
\$210,000 - \$219,999	1	2
	<u>17</u>	<u>18</u>
Total Remuneration for the reporting year of Senior Officers included above amounted to:	\$3,062,416	\$3,138,824

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council did not enter into any related party transactions.

(b) Outstanding balances with related parties

Council did not have any outstanding balances at the end of the reporting period in relation to transactions with a related party.

(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 STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 7 Managing uncertainties

7.1 (a) Contingent liabilities

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

Superannuation

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

Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2019 is \$0.472m.

(b) Guarantee for loans to other entities

The amounts disclosed for financial guarantees in this note are the nominal amounts of the underlying loans that are guaranteed by the Council, not the fair value of the financial guarantees.

	Loan balance outstanding	Loan guarantee limit	Loan balance outstanding	Loan guarantee limit
	2018 \$'000	2018 \$'000	2017 \$'000	2017 \$'000
Vermont South Club	193	193	210	210
The Whitehorse Club	334	500	363	500
Elgar Park Regional Hockey Association	229	229	238	288
	<u>756</u>	<u>922</u>	<u>811</u>	<u>998</u>

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 that will flow from the application of these standards in future reporting periods.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 7 Managing uncertainties (continued)

7.2 Change in accounting standards (continued)

Leases (AASB 16) (applies 2019/20)

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

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

This standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable a 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 to 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 our financial instruments will fluctuate because of changes in market prices. The Council's exposure to market risk is primarily through interest rate risk with only insignificant exposure to other price risks and no exposure to foreign currency risk.

Interest rate risk

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*.

Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 7 Managing uncertainties (continued)

(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 has exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

- Council may require collateral where appropriate; and
- Council only invests surplus funds with financial institutions which have a recognised credit rating specified in Council's investment policy.

Receivables consist of a large number of customers, spread across the ratepayer, business and government sectors. Credit risk associated with 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 provides a guarantee for another party. Details of Council's guarantees for loans to other entities are disclosed in Note 7.1(c).

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

(d) Liquidity risk

Liquidity risk includes the risk that, as a result of Council's operational liquidity requirements it will not have sufficient funds to settle the 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:

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

Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the balance sheet and the amounts relating to financial guarantees disclosed in Note 7.1(c) and is deemed insignificant 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.

(f) 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 + 0.5% and - 0.5% in market interest rates (AUD) from year-end rates of 2.57%.

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 STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 7 Managing uncertainties (continued)

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Note 8 Other matters

	Balance at beginning of reporting period	Increment (Decrement)	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
8.1 Reserves				
(a) Asset revaluation reserve				
2018				
Property				
Land	1,882,078	-	-	1,882,078
Buildings	185,955	(1,906)	-	184,049
	<u>2,068,033</u>	<u>(1,906)</u>	<u>-</u>	<u>2,066,127</u>
Infrastructure				
Roads	92,346	-	-	92,346
Footpaths and cycleways	5,577	-	-	5,577
Drainage	68,769	-	-	68,769
	<u>166,692</u>	<u>-</u>	<u>-</u>	<u>166,692</u>
Total asset revaluation reserves	<u>2,234,725</u>	<u>(1,906)</u>	<u>-</u>	<u>2,232,819</u>
2017				
Property				
Land	1,164,097	717,981	-	1,882,078
Buildings	163,597	22,358	-	185,955
	<u>1,327,694</u>	<u>740,339</u>	<u>-</u>	<u>2,068,033</u>
Infrastructure (1)				
Roads	78,833	13,513	-	92,346
Footpaths and cycleways	15,531	(9,954)	-	5,577
Drainage	68,769	-	-	68,769
	<u>163,133</u>	<u>3,559</u>	<u>-</u>	<u>166,692</u>
Total asset revaluation reserves	<u>1,490,827</u>	<u>743,898</u>	<u>-</u>	<u>2,234,725</u>

(1) Please refer to Note 5.2 for information regarding the misstatement of revaluation increment/decrements in 16/17.

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
(b) Other reserves				
2018				
Statutory				
Public open space reserve	11,716	4,210	(953)	14,973
Public open space reserve - land acquisitions	12,088	6,174	-	18,262
Car parking in lieu reserve	34	-	-	34
	<u>23,838</u>	<u>10,384</u>	<u>(953)</u>	<u>33,269</u>
Council Resolution				
Development reserve	35,075	4,997	(803)	39,269
Aged care reserve	10,431	267	(60)	10,638
Art collection reserve	11	-	-	11
Waste management reserve	2,999	-	(1,262)	1,737
	<u>48,516</u>	<u>5,264</u>	<u>(2,125)</u>	<u>51,655</u>
Total other reserves	<u>72,354</u>	<u>15,648</u>	<u>(3,078)</u>	<u>84,924</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**
Note 8 Other matters (continued)

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
2017				
Statutory				
Public open space reserve	9,198	3,832	(1,314)	11,716
Public open space reserve - land acquisitions	9,321	5,630	(2,863)	12,088
Car parking in lieu reserve	34	-	-	34
	<u>18,553</u>	<u>9,462</u>	<u>(4,177)</u>	<u>23,838</u>
Council Resolution				
Development reserve	28,592	6,483	-	35,075
Aged care reserve	10,217	272	(58)	10,431
Art collection reserve	11	-	-	11
Waste management reserve	3,276	-	277	2,999
	<u>42,096</u>	<u>6,755</u>	<u>(335)</u>	<u>48,516</u>
Total other reserves	<u>60,649</u>	<u>16,217</u>	<u>(4,512)</u>	<u>72,354</u>

Public open space reserve

This reserve comprises funds collected from contributions to public open space made by developers. The funds in this reserve are restricted for expenditure on public open space. Interest income generated from the reserve is to be reinvested back into the reserve.

Public open space reserve - land acquisitions

This reserve comprises funds collected from contributions to public open space made by developers. The funds in this reserve are restricted for expenditure on public open space, specifically land acquisitions. Interest income generated from the reserve is to be reinvested back into the reserve.

Car parking in lieu reserve

This reserve comprises funds provided by developers instead of providing car parking. The funds from this reserve are restricted for expenditure on car parking.

Development reserve

This reserve is used for funding capital works programs and for proceeds from sale of assets no longer required by Council. The funds in this reserve are required to be expended in accordance with the reserve governing principles established by Council. Interest income generated from the reserve is to be reinvested back into the reserve.

Aged care reserve

This reserve holds in trust the net proceeds secured from the sale as a "going concern" of Council's residential aged care facilities. Access to this reserve must have a legitimate relevance to the aged and disability related groups and must be consistent with the healthy positive ageing strategy adopted by Council in 2005/06. Interest income generated from the reserve is to be reinvested back into the reserve.

Art collection reserve

This reserve was established by Council in 2002/03 for the purpose of deaccessioning unwanted art works and for future purchases of art works.

Waste management reserve

This reserve was established in 2013/14 as a result of the previous federal government's introduction of the carbon tax levy. The amount represents the difference between the initial carbon tax per tonne that was announced and the actual price charged by independent landfill operators during the past two years. As the carbon tax levy is now abolished, the reserve will be used to rehabilitate landfill sites throughout the municipality.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

Note 8 Other matters (continued)

	2018 \$'000	2017 \$'000
8.2 Reconciliation of Cash Flows from Operating Activities to Surplus		
Surplus for the year	37,836	41,935
Contributions - non-monetary (Note 2.5)	(1,107)	(620)
Recognition of Finance Lease Equipment	(144)	-
Depreciation and amortisation (Note 3.3)	24,918	24,656
Net gain on disposal of property, infrastructure, plant and equipment (Note 2.6 & 5.2)	(539)	(1,466)
Share of net (gain)/loss of associates (Note 5.3)	1,003	(477)
Share of loss in Regional Landfill Clayton South (Note 3.4)	349	258
	<u>62,316</u>	<u>64,286</u>
Change in assets and liabilities		
(Increase)/decrease in trade and other receivables	(227)	(1,197)
(Increase)/decrease in other current assets	1,170	(1,345)
Increase/(decrease) in trade and other payables	(1,213)	(2,740)
Increase/(decrease) in trust funds and deposits	693	667
Increase/(decrease) in provisions	535	(314)
Net cash provided by operating activities	<u>63,274</u>	<u>59,357</u>

8.3 Superannuation

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

Accumulation

The Fund's accumulation category, 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 2018, this was 9.5% required under Superannuation Guarantee legislation (2016/17 9.5%)).

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's 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 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**

Note 8 Other matters (continued)

Employer contributions

Regular contributions

On the basis of the results of the 2017 triennial actuarial investigation conducted by the Fund's 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 2016/17). This rate will increase in line with any increases in the SG contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

Funding calls

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

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

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

2017 triennial actuarial investigation surplus amounts

The Fund's interim 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; and

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.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to the investigation date.

2018 interim actuarial investigation

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