



Attachment to Item 10.4.3

Financial Report and Performance
Statement 2018

(61 Pages)

Mansfield Shire Council
ANNUAL FINANCIAL REPORT

For the Year Ended 30 June 2018

Mansfield Shire Council

Financial Report

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 Financial Statements	
Note 1 Performance against budget	10
1.1. Income and expenditure	10
1.2. Capital works	12
Note 2 Funding for the delivery of our services	14
2.1. Rates and charges	14
2.2. Statutory fees and fines	14
2.3. User fees	14
2.4. Funding from other levels of government	14
2.5. Contributions	16
2.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	16
2.7. Other income	16
Note 3 The cost of delivering services	16
3.1. Employee costs	16
3.2. Materials and services	17
3.3. Depreciation	17
3.4. Bad and doubtful debts	17
3.5. Borrowing costs	18
3.6. Other expenses	18
Note 4 Our financial position	18
4.1. Financial assets	18
4.2. Non-financial assets	20
4.3. Payables	20
4.4. Interest bearing liabilities	21
4.5. Provisions	21
4.6. Financing arrangements	23
4.7. Commitments	24
Note 5 Assets we manage	25
5.1. Property infrastructure plant and equipment	25
5.2. Investments in associates and joint arrangements	33
Note 6 People and relationships	34
6.1. Council and key management remuneration	34
6.2. Related party disclosure	35
Note 7 Managing uncertainties	36
7.1. Contingent assets and liabilities	36
7.2. Change in accounting standards	36
7.3. Financial instruments	37
7.4. Fair value measurement	38
7.5. Events occurring after balance date	39
Note 8 Other matters	40
8.1 Reserves	40
8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	41
8.3 Superannuation	41

Certification of the Financial Statements

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

Mandy Kynnersley CA BBus(Acc)
Principal Accounting Officer

Date : *18 September 2018*
Mansfield

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

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

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

Mayor Harry Westendorp
Councillor

Date : *18 September 2018*
Mansfield

Councillor Paul Volkering
Councillor

Date : *18 September 2018*
Mansfield

Alex Green
Chief Executive Officer

Date : *18 September 2018*
Mansfield

<INSERT VAGO REPORT - PAGE 1>

<INSERT VAGO REPORT - PAGE 2>

Comprehensive Income Statement For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	13,146	12,659
Statutory fees and fines	2.2	308	305
User fees	2.3	722	773
Grants - operating	2.4	4,515	5,837
Grants - capital	2.4	1,822	2,096
Contributions - monetary	2.5	56	178
Contributions - non monetary	2.5	651	4,141
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	2.6	39	42
Share of net profits (or loss) of associates and joint arrangements	5.2	-	(60)
Other income	2.7	527	406
Found Assets	5.1	761	-
Total income		22,547	26,377
Expenses			
Employee costs	3.1	8,671	8,188
Materials and services	3.2	6,625	6,209
Depreciation and amortisation	3.3	3,169	3,005
Bad and doubtful debts	3.4	4	1
Borrowing costs	3.5	152	169
Other expenses	3.6	658	319
Total expenses		19,278	17,891
Surplus for the year		3,269	8,486
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	5.1	9,532	-
Total comprehensive result		12,800	8,486

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

Balance Sheet As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	1,990	1,638
Trade and other receivables	4.1	1,185	1,931
Other financial assets	4.1	8,257	6,227
Inventories	4.2	16	40
Other assets	4.2	252	125
Total current assets		11,700	9,961
Non-current assets			
Trade and other receivables	4.1	48	95
Investments in associates and joint arrangements	5.2	-	103
Property, infrastructure, plant and equipment	5.1	136,584	115,710
Total non-current assets		136,632	115,908
Total assets		148,332	125,869
Liabilities			
Current liabilities			
Trade and other payables	4.3	1,060	1,080
Trust funds and deposits	4.3	990	1,044
Provisions	4.5	1,914	2,110
Interest-bearing liabilities	4.4	288	400
Total current liabilities		4,252	4,634
Non-current liabilities			
Provisions	4.5	413	315
Interest-bearing liabilities	4.4	2,286	2,549
Total non-current liabilities		2,699	2,864
Total liabilities		6,951	7,498
Net assets		141,381	118,371
Equity			
Accumulated surplus		61,256	47,823
Reserves	8.1	80,125	70,548
Total Equity		141,381	118,371

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

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

2018	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		118,371	47,823	70,156	392
Adjustment to change in Accounting Policy (Land Under Roads)	5.1(d)	10,210	10,210	-	-
Surplus for the year		3,269	3,269	-	-
Net asset revaluation increment		9,532	-	9,532	-
Transfers to other reserves		-	(45)	-	45
Balance at end of the financial year		141,381	61,256	79,688	437

2017		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		109,885	39,512	70,156	217
Surplus for the year		8,486	8,486	-	-
Transfers to other reserves		-	(175)	-	175
Balance at end of the financial year		118,371	47,823	70,156	392

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

Statement of Cash Flows For the Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		13,110	12,631
Statutory fees and fines		308	305
User fees		1,598	287
Grants - operating		4,546	5,865
Grants - capital		1,822	2,096
Contributions - monetary		57	178
Interest received		162	152
Other receipts		314	252
Net GST refund/(payment)		883	823
Employee costs		(8,629)	(8,104)
Materials and services		(7,410)	(6,614)
Net trust funds and deposits received (repaid)		(54)	393
Other payments		(658)	(289)
Net cash provided by/(used in) operating activities	8.2	<u>6,048</u>	<u>7,975</u>
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.1	(3,272)	(4,631)
Proceeds from sale of property, infrastructure, plant and equipment	2.6	124	139
Payments for other financial assets		(2,030)	(2,522)
Proceeds from sale of investments		9	-
Net cash provided by/(used in) investing activities		<u>(5,169)</u>	<u>(7,014)</u>
Cash flows from financing activities			
Finance costs		(152)	(203)
Repayment of borrowings		(375)	(407)
Net cash provided by/(used in) financing activities		<u>(527)</u>	<u>(610)</u>
Net increase (decrease) in cash and cash equivalents		352	351
Cash and cash equivalents at the beginning of the financial year		1,638	1,287
Cash and cash equivalents at the end of the financial year		<u>1,990</u>	<u>1,638</u>
Financing arrangements	4.6		
Restrictions on cash assets	4.1		

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

Statement of Capital Works For the Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Property			
Buildings		195	154
Total property		195	154
Plant and equipment			
Plant, machinery and equipment		524	400
Fixtures, fittings and furniture		16	5
Computers and telecommunications		69	90
Library books		50	47
Total plant and equipment		659	542
Infrastructure			
Roads		1,209	1,891
Bridges		450	869
Footpaths and cycleways		116	51
Drainage		81	23
Recreational, leisure and community facilities		622	544
Off street car parks		-	248
Total infrastructure		2,478	3,626
Total capital works expenditure		3,332	4,322
Represented by:			
New asset expenditure		1,065	1,287
Asset renewal expenditure		1,351	1,840
Asset expansion expenditure		-	-
Asset upgrade expenditure		916	1,195
Total capital works expenditure		3,332	4,322

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

Notes to the Financial Report For the Year Ended 30 June 2018

OVERVIEW

Introduction

The Mansfield Shire Council was established by an Order of the Governor in Council on 28 October 2002 and is a body corporate.

The Council's main office is located at 33 Highett Street, Mansfield.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.1)
- the determination of employee provisions (refer to Note 4.5)
- the determination of landfill provisions (refer to Note 4.5)

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

Notes to the Financial Report For the Year Ended 30 June 2018

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$50,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 27 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Income				
Rates and charges	12,986	13,146	160	1
Statutory fees and fines	261	308	47	2
User fees	618	722	104	3
Grants - operating	2,804	4,515	1,711	4
Grants - capital	1,490	1,822	332	5
Contributions - monetary	94	56	(38)	6
Contributions - non monetary	-	651	651	7
Net gain on disposal of property, infrastructure, plant and equipment	43	39	(4)	
Share of net profits/(losses) of associates and joint venture:	(104)	-	104	8
Other income	345	527	182	9
Found Assets	-	761	761	10
Total income	18,537	22,547	4,010	
Expenses				
Employee costs	8,662	8,671	(9)	
Materials and services	6,344	6,625	(281)	11
Bad and doubtful debts	-	4	(4)	12
Depreciation and amortisation	3,200	3,169	31	13
Borrowing costs	191	152	39	14
Other expenses	299	658	(359)	15
Total expenses	18,696	19,279	(582)	
Surplus/(deficit) for the year	(159)	3,268	4,593	

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Supplementary valuations exceeded budget.
2	Statutory fees and fines	Statutory planning fees exceeded budget by \$45k.
3	User fees	Inspection fees from subdivisions exceeded budget \$55k. Environmental health fees exceeded budget by \$28k.
4	Grants - operating	Victorian Grants Commission paid \$1.448m of grant funding in advance. Unbudgeted grants received include \$100k Aged Friendly, \$30k Rural Access, \$20k Youth Engagement, \$14k Youth Mental Health and Supported Playgroups \$42k.
5	Grants - capital	Unbudgeted blackspot grant funding of \$359k received from work performed in 2016-17 (carry forward).
6	Contributions - monetary	Chenery St footpath was not performed under a special charge scheme arrangement, resulting in \$40k under budget.
7	Contributions - non monetary	Donated assets from subdivisions were not budgeted.
8	Share of net profits/(losses) of associates and joint ventures	The High Country Library was dissolved during 2017-18. The distribution impact was budgeted incorrectly.
9	Other income	Reimbursements of \$184k are included here however were budgeted to offset expenditure.
10	Found Assets	As a result of the titles office reconciliation of land, Council identified some assets which had not previously been recognised.
11	Materials and services	An additional \$463k was expensed for the landfill provision. This is to rehabilitate the Monkey Gully site as per the EPA requirements.
12	Bad and doubtful debts	Doubtful debts were budgeted in Other Expenses.
13	Depreciation and amortisation	Capital works for the year were under budget, resulting in lower depreciation than budgeted.
14	Borrowing costs	Bank charges were budgeted in borrowing costs, but are reported in Other Expenses (\$37k).
15	Other expenses	The December 2017 floods resulted in impairment of \$357k to council's infrastructure assets.

Notes to the Financial Report
For the Year Ended 30 June 2018

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Property				
Land	45	-	(45)	1
Land improvements	-	-	-	
Total Land	45	-	(45)	
Buildings	300	195	(105)	2
Total Buildings	300	195	(105)	
Total Property	345	195	(150)	
Plant and Equipment				
Plant, machinery and equipment	617	524	(93)	3
Fixtures, fittings and furniture	15	16	1	
Computers and telecommunications	178	69	(109)	4
Library books	-	50	50	5
Total Plant and Equipment	810	659	(151)	
Infrastructure				
Roads	2,483	1,209	(1,274)	6
Bridges	674	450	(224)	7
Footpaths and cycleways	146	116	(30)	8
Drainage	62	81	19	9
Recreational, leisure and community facilities	497	622	125	10
Parks, open space and streetscapes	4	-	(4)	
Total Infrastructure	3,866	2,478	(1,388)	
Total Capital Works Expenditure	5,021	3,332	(1,689)	
Represented by:				
New asset expenditure	814	1,065	251	
Asset renewal expenditure	3,108	1,351	(1,757)	
Asset upgrade expenditure	1,099	916	(183)	
Total Capital Works Expenditure	5,021	3,332	(1,689)	

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 1 Performance against budget (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Negotiations are continuing in relation to the purchase of land.
2	Buildings	\$60k Bonnie Doon Community Centre upgrade did not proceed. \$33k from Building Refurbishment programs was unable to be capitalised and was expensed through the Income Statement.
3	Plant, machinery and equipment	Less plant required to be purchased than budgeted.
4	Computers and telecommunications	\$130k Planning software system was budgeted to be purchased, however has not yet been selected or purchased.
5	Library books	Library book purchases were budgeted through the Income Statement (contributions to the library hub).
6	Roads	\$615k was budgeted for the Heavy Vehicle Bypass. This project has been delayed. \$567k Alpine Ridge & \$206k Lochiel Road reconstruction projects did not proceed.
7	Bridges	Deadhorse Lane Bridge was partially completed ahead of schedule in 2016-17, resulting in the budget being \$250k too high for 2017-18. Howqua Track culvert replacement exceeded budget by \$25k.
8	Footpaths and cycleways	Chenery Street footpath cost less than budgeted. Offset by no special charge scheme income for this project.
9	Drainage	Part of the Apollo Street budget was incorrectly classified as Roads in budget. The project included both road and drainage work and has been split accordingly.
10	Recreational, leisure and community facilities	Skate park project was over budget \$63k which was offset by carry forward budget from 16-17. Tennis hit up wall project exceed budget by \$45k. Additional playing field exceeded budget by \$16k.

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 2 Funding for the delivery of our services

	2018	2017
	\$'000	\$'000

2.1 Rates and charges

Council uses Capital Improved Value as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is its land plus all improvements on that land.

The valuation base used to calculate general rates for 2017-18 was \$3,110 million (2016-17 \$3,070 million).

General Rates	7,928	7,665
Municipal charge	1,993	1,928
Waste management charge	157	154
Service rates and charges (Waste)	2,881	2,778
Supplementary rates and rate adjustments	135	90
Interest on rates and charges	52	44
Total rates and charges	13,146	12,659

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

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

2.2 Statutory fees and fines

Infringements and costs	18	38
Land information certificates	50	45
Permits	240	221
Total statutory fees and fines	308	304

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

2.3 User fees

Aged and health services	215	220
Leisure centre and recreation	38	28
Local Laws	109	115
Registration and other permits	102	198
Building services	8	5
Waste management services	134	141
Other fees and charges	116	66
Total user fees	722	773

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

2.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	4,900	5,903
State funded grants	1,438	2,030
Total grants received	6,338	7,933

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 2 Funding for the delivery of our services (cont'd)

	2018 \$'000	2017 \$'000
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	2,809	4,211
Adult day care	116	110
General home care	318	359
<i>Recurrent - State Government</i>		
General home care	124	95
Family & Children	295	234
Library	123	116
Community support	51	19
School crossing supervisors	34	-
Maternal and child health	160	146
Environmental health	13	15
Property & valuations	14	85
Other	7	10
Total recurrent operating grants	4,064	5,400
<i>Non-recurrent - Commonwealth Government</i>		
General home care	6	41
Sport & Recreation	-	27
Library	2	-
Community support	8	5
<i>Non-recurrent - State Government</i>		
Community support	147	55
Age Friendly Communities	100	-
Waste - Recycling Temporary Relief Fund	13	-
Emergency Management	60	60
Environment	21	21
Family and children	36	102
Fire Services Property Levy	48	47
Library	0	11
Sport & Recreation	10	10
Strategic Planning	-	51
Other	-	7
Total non-recurrent operating grants	451	437
Total operating grants	4,515	5,837
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	911	990
Total recurrent capital grants	911	990
<i>Non-recurrent - Commonwealth Government</i>		
Bridges	370	-
Blackspot Safety Improvements	359	-
Recreation	-	160
<i>Non-recurrent - State Government</i>		
Roads & Bridges	-	680
Footpaths and cycleways	113	-
Recreation	69	266
Total non-recurrent capital grants	911	1,106
Total capital grants	1,822	2,096

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 2 Funding for the delivery of our services (cont'd)

	2018	2017
	\$'000	\$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	699	295
Received during the financial year and remained unspent at balance date	329	669
Received in prior years and spent during the financial year	190	265
Balance at year end	838	699

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	56	178
Non-monetary	651	4,141
Total contributions	707	4,319

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

Land under roads	2	273
Roads	237	1,798
Footpaths & cycleways	104	522
Drainage	308	1,548
Total non-monetary contributions	651	4,141

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	239	139
Written down value of assets disposed	(200)	(97)
Total net gain on disposal of property, infrastructure, plant and equipment	39	42

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

Interest	185	147
Other rent	87	65
Other	255	194
Total other income	527	406

Interest is recognised as it is earned.

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

Note 3 The cost of delivering services

3.1 Employee costs

Wages and salaries	6,991	6,573
WorkCover	101	88
Annual leave and long service leave	879	824
Superannuation	668	675
Fringe benefits tax	23	26
Other	9	2
Total employee costs	8,671	8,188

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 3 The cost of delivering services (cont'd)

(a) Superannuation

	2018	2017
	\$'000	\$'000
Council made contributions to the following funds:		
Defined benefit fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	21	25
Employer contributions - other funds	-	-
	21	25
Employer contributions payable at reporting date.	-	-
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	329	352
Employer contributions - other funds	318	298
	647	650
Employer contributions payable at reporting date.	-	-

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

3.2 Materials and services

Contract Payments	1,746	1,770
Store Issues	145	143
Repairs & Maintenance	124	123
Advertising & Promotion	59	59
Insurance	221	214
Legal Expenses	171	121
Consultants	421	254
Memberships & Subscriptions	58	87
Debt Collection Expenses	33	45
Printing, Copying & Stationery	46	46
Software Maintenance & Support	236	213
Staff Training & Professional Development	92	89
Waste Disposal Costs	657	670
Utilities	323	300
Community Contributions	256	262
Fuel	104	109
Cleaning Expenses	159	142
Other Materials & Services		
Community Services	220	289
Development Services	649	343
Economic Development	77	123
Engineering & Works	651	561
Administration & Governance	177	246
Total materials and services	6,625	6,209

3.3 Depreciation and amortisation

Property	299	300
Plant and equipment	537	497
Infrastructure	2,332	2,208
Total depreciation	3,169	3,005

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

3.4 Bad and doubtful debts

Other debtors	4	1
Total bad and doubtful debts	4	1

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 3 The cost of delivering services (cont'd)

	2018	2017
	\$'000	\$'000
Movement in provisions for doubtful debts		
Balance at the beginning of the year	9	13
New Provisions recognised during the year	4	1
Amounts already provided for and written off as uncollectible	(2)	(4)
Amounts provided for but recovered during the year	(7)	(1)
Balance at end of year	4	9

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

3.5 Borrowing costs

Interest - Borrowings	152	169
Total borrowing costs	152	169

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

3.6 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	43	37
Auditors' remuneration - Internal	24	28
Councillors' allowances	156	153
Operating lease rentals	44	61
Assets written-off / impaired	357	-
Others	34	40
Total other expenses	658	319

Note 4 Our financial position

4.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	1	1
Cash at bank	1,989	1,637
Total cash and cash equivalents	1,990	1,638

(b) Other financial assets

Term deposits - current	8,257	6,227
Total other financial assets	8,257	6,227
Total financial assets	10,247	7,865

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

- Trust funds and deposits (Note 4.3)	990	1,044
Total restricted funds	990	1,044
Total unrestricted cash and cash equivalents	1,000	594

Intended allocations

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

- Cash held to fund carried forward capital works	304	305
- Unexpended grants	838	699
- Reserve funds	437	392
Total funds subject to intended allocations	1,579	1,396

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

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

**Notes to the Financial Report
For the Year Ended 30 June 2018**

4.1 Financial assets (cont'd)

	2018	2017
	\$'000	\$'000
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	604	572
Net GST receivable	202	207
<i>Non statutory receivables</i>		
Other debtors	383	1,161
Provision for doubtful debts - other debtors	(4)	(9)
Total current trade and other receivables	1,185	1,931
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	48	95
Total non-current trade and other receivables	48	95
Total trade and other receivables	1,233	2,026

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

(d) Ageing of Receivables

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

Current (not yet due)	371	687
Past due by up to 30 days	11	511
Past due between 31 and 180 days	15	12
Past due between 181 and 365 days	7	4
Past due by more than 1 year	27	43
Total trade & other receivables	431	1,257

**Notes to the Financial Report
For the Year Ended 30 June 2018**

4.2 Non-financial assets	2018	2017
(a) Inventories	\$'000	\$'000
Inventories held for distribution	16	40
Total inventories	16	40

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

(b) Other assets

Prepayments	93	110
Accrued income - interest	38	15
Accrued income - other	121	-
Total other assets	252	125

4.3 Payables

(a) Trade and other payables

Trade payables	817	798
Employee costs	8	9
Accrued loan interest	11	10
Accrued expenses	224	263
Total trade and other payables	1,060	1,080

(b) Trust funds and deposits

Refundable deposits	181	434
Fire services levy	344	90
Cemetery trusts	277	257
Retention amounts	188	263
Total trust funds and deposits	990	1,044

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

Purpose and nature of items

Refundable deposits - Deposits are taken by council as a form of surety in a number of circumstances, including in relation to building works, tender deposits, contract deposits and the use of civic facilities.

Fire Service Levy - Council is the collection agent for fire services levy on behalf of the State Government. Council remits amounts received on a quarterly basis. Amounts disclosed here will be remitted to the state government in line with that process.

Cemetery Trusts - Council is the trustee for the Mansfield, Bonnie Doon, Jamieson and Merton cemeteries.

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

**Notes to the Financial Report
For the Year Ended 30 June 2018**

4.4 Interest-bearing liabilities

	2018	2017
	\$'000	\$'000
Current		
Borrowings - secured	288	293
Finance leases	-	107
	<u>288</u>	<u>400</u>
Non-current		
Borrowings - secured	2,286	2,549
	<u>2,286</u>	<u>2,549</u>
Total	<u>2,574</u>	<u>2,949</u>

Borrowings are secured by rate income.

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

Not later than one year	288	399
Later than one year and not later than five years	753	812
Later than five years	1,533	1,738
	<u>2,574</u>	<u>2,949</u>

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

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

4.5 Provisions

	Employee	Landfill restoration	Total
	\$ '000	\$ '000	\$ '000
2018			
Balance at beginning of the financial year	1,798	626	2,424
Additional provisions	885	463	1,348
Amounts used	(842)	(603)	(1,445)
Balance at the end of the financial year	<u>1,841</u>	<u>486</u>	<u>2,327</u>
2017			
Balance at beginning of the financial year	1,647	550	2,197
Additional provisions	841	96	937
Amounts used	(690)	(20)	(710)
Balance at the end of the financial year	<u>1,798</u>	<u>626</u>	<u>2,424</u>

(a) **Employee provisions**

Current provisions expected to be wholly settled within 12 months

Annual leave	610	597
Long service leave	60	108
	<u>670</u>	<u>705</u>

Current provisions expected to be wholly settled after 12 months

Annual leave	32	-
Long service leave	1,014	954
	<u>1,046</u>	<u>954</u>
Total current employee provisions	<u>1,716</u>	<u>1,659</u>

**Notes to the Financial Report
For the Year Ended 30 June 2018**

4.5 Provisions (cont'd)	2018	2017
	\$'000	\$'000
Non-current		
Long service leave	125	139
Annual leave	-	-
Total non-current employee provisions	125	139
Aggregate carrying amount of employee provisions:		
Current	1,716	1,659
Non-current	125	139
Total aggregate carrying amount of employee provisions	1,841	1,798

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	2.46%	2.22%
- inflation rate	2.00%	2.00%
- settlement rate	13 yrs	11 yrs

	2018	2017
(b) Landfill restoration	\$'000	\$'000
Current	198	451
Non-current	288	176
	486	627

Council is obligated to restore its Monkey Gully Road landfill site (which is now closed) to a particular standard. The provision for landfill restoration has been calculated based on the present value of the expected cost of works to be undertaken. The expected cost of works has been estimated based on current understanding of work required to reinstate the site to a suitable standard. Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs. Council currently has no operating landfills.

Key assumptions:

- discount rate	Milliman Discount Rate	Milliman Discount Rate
- inflation rate	2%	2%
- settlement rate	19 yrs	20 yrs

**Notes to the Financial Report
For the Year Ended 30 June 2018**

4.6 Financing arrangements	2018	2017
	\$'000	\$'000
The Council has the following funding arrangements in place as at 30 June.		
Bank overdraft	300	300
Credit card facilities	88	50
Loan facilities	2,575	2,841
Total facilities	<u>2,963</u>	<u>3,191</u>
Used facilities	2,597	2,841
Unused facilities	<u>366</u>	<u>350</u>

4.7 Commitments

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

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	600	611	1,910	660	3,781
Waste collection	815	831	2,594	898	5,138
Waste Disposal	619	633	1,972	683	3,907
Mansfield Resource Recovery Centre	151	153	316	-	620
Cleaning contracts for council buildings	129	-	-	-	129
Waste water management plan	46				46
Drainage review	48				48
Building Regulation Services	96	96	85		279
Asset management bureau service	266	164	548		978
Total	<u>2,770</u>	<u>2,488</u>	<u>7,425</u>	<u>2,241</u>	<u>14,926</u>
Capital					
Footpaths	85	-	-	-	85
Buildings	48	-	-	-	48
Bridges	-	-	-	-	-
Total	<u>133</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>133</u>

4.7 Commitments (cont'd)

2017	Not later than 1	Later than 1 year	Later than 2	Later than 5	Total
	year	and not later	years and not	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	494	504	1,572	1,099	3,669
Waste collection	778	778	2,426	1,694	5,675
Waste Disposal	550	561	1,751	1,223	4,085
Mansfield Resource Recovery Centre	142	145	454	-	741
Cleaning contracts for council buildings	185	110	-	-	295
Total	2,148	2,098	6,203	4,016	14,465
Capital					
Roads	180	-	-	-	180
Buildings	87	-	-	-	87
Bridges	139	-	-	-	139
Total	406	-	-	-	406

<i>Operating lease commitments</i>	2018	2017
	\$'000	\$'000

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

Not later than one year	19	50
Later than one year and not later than five years	2	13
Later than five years	-	-
	<u>21</u>	<u>63</u>

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

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 5 Assets we manage

5.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2017	Additions	Contributions	Revaluation	Depreciation	Disposal	Found Assets	Impairment	Transfers	Transfer from Investment	Change in Policy	At Fair Value 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000				\$'000	\$'000
Property	26,589	195	2	4,125	(299)	(34)	695	-	-	-	10,210	41,482
Plant and equipment	2,452	659	-	(30)	(537)	(165)	-	-	-	113	-	2,492
Infrastructure	86,527	1,680	649	5,407	(2,332)	-	66	(327)	659	-	-	92,328
Work in progress	142	798	-	-	-	-	-	-	(659)	-	-	281
	115,710	3,332	651	9,503	(3,169)	(199)	761	(327)	-	113	10,210	136,584

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Infrastructure	142	798	-	(659)	281
Total	142	798	-	(659)	281

Notes to the Financial Report
For the Year Ended 30 June 2018

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

Asset recognition thresholds and depreciation periods

	Depreciation Period	Threshold Limit \$'000
Property		
land	-	-
land under roads	-	-
land improvements	20 years	5
Buildings		
buildings	80 years	5
building improvements	80 years	5
Plant and Equipment		
plant, machinery and equipment	5-10 years	1
fixtures, fittings and furniture	2-10 years	1
computers and telecommunications	2-10 years	1
library books	2-12 years	-
Infrastructure		
road pavements	30-100 years	5
seals and asphalt	15-25 years	5
road formation (95% residual) and earthworks	100 years	5
road kerb, channel and minor culverts	40-80 years	5
bridges deck	130 years	2
bridges substructure	130 years	2
bridges other	130 years	2
footpaths and cycleways	15-100 years	2
drainage	100 years	2

**Notes to the Financial Report
For the Year Ended 30 June 2018**

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

(a) Property

	Land - specialised	Land - non specialised	Land under Roads	Total Land & Land Improvements	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	1,725	11,672	1,093	14,490	4,490	19,499	23,989	-	38,479
Accumulated depreciation at 1 July 2017	-	-	-	-	(2,466)	(9,424)	(11,890)	-	(11,890)
	1,725	11,672	1,093	14,490	2,024	10,075	12,099	-	26,589
Movements in fair value									
Additions	-	-	-	-	195	-	195	-	195
Contributions	-	-	2	2	-	-	-	-	2
Revaluation	2,211	(79)	-	2,132	3,428	341	3,768	-	5,900
Disposal	(34)	-	-	(34)	-	-	-	-	(34)
Found Assets	40	655	-	695	-	-	-	-	695
Transfers	8,721	(8,721)	-	-	17,292	(17,292)	-	-	-
Change of Accounting Policy	-	-	10,210	10,210	-	-	-	-	10,210
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	10,938	(8,145)	10,212	13,005	20,915	(16,951)	3,963	-	16,968
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(271)	(28)	(299)	-	(299)
Accumulated depreciation on revaluations	-	-	-	-	(1,632)	(143)	(1,775)	-	(1,775)
Transfers	-	-	-	-	(8,170)	8,170	-	-	-
	-	-	-	-	(10,073)	7,999	(2,074)	-	(2,074)
At fair value 30 June 2018	12,663	3,527	11,305	27,495	25,405	2,548	27,952	-	55,448
Accumulated depreciation at 30 June 2018	-	-	-	-	(12,539)	(1,425)	(13,963)	-	(13,963)
	12,663	3,527	11,305	27,495	12,866	1,123	13,989	-	41,484

5.1 (d)

**Notes to the Financial Report
For the Year Ended 30 June 2018**

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

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	4,083	351	1,005	47	5,486
Accumulated depreciation at 1 July 2017	(2,039)	(242)	(749)	(4)	(3,034)
	2,044	109	256	43	2,452
Movements in fair value					
Additions	524	16	69	50	659
Revaluation	-	-	-	(30)	(30)
Disposal	(455)	-	(5)	(104)	(563)
Investment Transfer	-	-	-	299	299
	69	16	64	215	365
Movements in accumulated depreciation					
Depreciation and amortisation	(367)	(26)	(119)	(25)	(537)
Accumulated depreciation of disposals	289	-	5	104	398
Accumulated depreciation of Investment transfer	-	-	-	(185)	(185)
	(78)	(26)	(114)	(106)	(324)
At fair value 30 June 2018	4,152	367	1,069	262	5,851
Accumulated depreciation at 30 June 2018	(2,117)	(268)	(863)	(110)	(3,359)
	2,035	99	206	152	2,492

**Notes to the Financial Report
For the Year Ended 30 June 2018**

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

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Off street car parks	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	76,638	19,033	6,137	16,569	3,599	1,237	142	123,355
Accumulated depreciation at 1 July 2017	(21,334)	(7,485)	(1,653)	(5,302)	(659)	(253)	-	(36,686)
	55,304	11,548	4,484	11,267	2,940	984	142	86,669
Movements in fair value								
Additions	1,124	332	96	57	71	-	798	2,478
Contributions	237	-	104	308	-	-	-	649
Revaluation	-	6,452	-	1,504	330	142	-	8,428
Found Assets	-	-	-	-	75	-	-	75
Transfers	273	126	20	26	447	(233)	(659)	-
Impairment losses recognised in operating result	(327)	-	-	-	-	-	-	(327)
	1,307	6,910	220	1,895	923	(92)	139	11,303
Movements in accumulated depreciation								
Depreciation and amortisation	(1,615)	(219)	(115)	(168)	(166)	(49)	-	(2,332)
Accumulated depreciation of found assets	-	-	-	-	(9)	-	-	(9)
Accumulated depreciation of revaluations	-	(2,763)	-	(268)	20	(10)	-	(3,021)
Transfers	(4)	-	-	-	(2)	6	-	-
	(1,619)	(2,982)	(115)	(436)	(157)	(53)	-	(5,362)
At fair value 30 June 2018	77,945	25,943	6,357	18,464	4,522	1,145	281	134,657
Accumulated depreciation at 30 June 2018	(22,953)	(10,467)	(1,768)	(5,738)	(816)	(306)	-	(42,049)
	54,992	15,476	4,589	12,726	3,706	839	281	92,609

Notes to the Financial Report For the Year Ended 30 June 2018

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

Acquisition

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

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

Repairs and maintenance

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

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, LGValuation Services, registration no. 2013. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these

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

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

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	3,527	-	30-Jun-18
Specialised land	-	-	12,663	30-Jun-18
Land Under Roads	-	-	11,305	31-Jan-18
Buildings	-	1,123	12,866	30-Jun-18
Total	-	4,650	36,834	

**Notes to the Financial Report
For the Year Ended 30 June 2018**

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

Valuation of infrastructure

Valuation of bridge has been determined in accordance with an independent valuation undertaken by Maloney Asset Management Systems. The valuation of other infrastructure assets has been performed by Council Officers.

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

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

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

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	54,992	30/06/2016
Bridges	-	-	15,476	30/06/2018
Footpaths and cycleways	-	-	4,589	30/06/2016
Drainage	-	-	12,726	30/06/2018
Recreational, leisure and community facilities	-	-	3,706	30/06/2018
Off street car parks	-	-	839	30/06/2018
Total	-	-	92,327	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 25% and 75% for specialised land and between 75% and 95% for land under roads. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$600 per square metre.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$350 to \$9,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 years to 80 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 15 years to 130 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018	2017
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	11,304	1,093
Land	12,663	1,725
Total specialised land	23,967	2,818

**Notes to the Financial Report
For the Year Ended 30 June 2018**

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

(d) Adjustments directly to equity

	2018 \$'000	2017 \$'000
Adjustment arising from recognising land under roads	10,210	-

Council elected to recognise land under roads acquired prior to 1 July 2008 in the 2017-18 financial year. The initial recognition of land under roads is recognised as an adjustment to Council's accumulated surplus for 2017-18.

Land under roads is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interest of other parties and entitlements of infrastructure assets and services.

The effect of Council recognising land under roads is an increase to the opening balance of accumulated surplus of \$10.21 million and an increase to property, infrastructure, plant and equipment of \$10.21 million.

**Notes to the Financial Report
For the Year Ended 30 June 2018**

	2018	2017
	\$'000	\$'000

5.2 Investments in associates and joint arrangements

(a) Investments in associates

Investments in associates accounted for by the equity method are:

High Country Library Corporation	-	103
----------------------------------	---	-----

High Country Library Corporation

Background

High Country Library Corporation was established on 8 August 1996. On 21 March 2016 the High Country Library Corporation Board resolved to enter voluntary liquidation. The final distributions were paid to member entities on 9 November 2017 finalising the dissolution. The Mansfield Shire Council's share of assets and liabilities committed to this corporation was 11%.

Fair value of Council's investment in High Country Library Corporation

	-	103
--	---	-----

Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year	39	99
Reported surplus/(deficit) for year	-	(60)
Transfers (to) from reserves	19	-
Distributions for the year	(58)	-
Council's share of accumulated surplus/(deficit) at end of year	-	39

Council's share of reserves

Council's share of reserves at start of year	1	1
Transfers to (from) reserves	(1)	-
Council's share of reserves at end of year	-	1

Movement in carrying value of specific investment

Carrying value of investment at start of year	103	163
Share of surplus/(deficit) for year	-	(60)
Share of asset revaluation	19	-
Distributions received	(122)	-
Carrying value of investment at end of year	-	103

(b) Investments in joint arrangements

Joint arrangements include:

High Country Library Network shared services agreement.

On 1 August 2016 Mansfield Shire Council entered into a 12 month joint arrangement for library services with Alpine Shire Council, Wangaratta Rural City Council and Benalla Rural City Council. The agreement was subsequently extended to 30 June 2020. Mansfield Shire Council's contribution is 13% of the total cost of the service.

The amounts recognised in the financial statements relating to the joint arrangement are shown as follows:

Expenses (materials and services)	47	49
Property, Plant & Equipment at fair value (library books)	50	47
Total contribution to joint arrangements	97	96

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

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

The High Country Library Network shared services agreement is a joint operation. Council recognises contributions to the High Country Library Network as operating expenses where related to the management and operation of the library network, and capital expenditure where related to the purchase of library books on Council's behalf (refer note 5.1(b)).

There are no contingent assets or contingent liabilities in relation to joint arrangements.

**Notes to the Financial Report
For the Year Ended 30 June 2018**

	2018	2017
Note 6 People and relationships	No.	No.
6.1 Council and key management remuneration		

(a) Related Parties

Subsidiaries and joint arrangements

Interests in subsidiaries and joint arrangements are detailed in Note 5.2.

(b) Key Management Personnel

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

Councillors	Mayor Paul Volkering Councillor Peter Olver Councillor Marg Attley Councillor Paul Sladdin Councillor Harry Westendorp		
Total Number of Councillors		5	8
Chief Executive Officer and other Key Management Personnel		7	9
Total Key Management Personnel		12	17

(c) Remuneration of Key Management Personnel

	2018	2017
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,021	948
Long-term benefits	42	14
Post employment benefits	79	73
Termination benefits	33	-
Total	1,175	1,035

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

	No.	No.
\$1 - \$9,999	-	4
\$10,000 - \$19,999	-	2
\$20,000 - \$29,999	4	1
\$30,000 - \$39,999	-	2
\$40,000 - \$49,999	-	2
\$60,000 - \$69,999	1	1
\$100,000 - \$109,999	1	1
\$110,000 - \$119,999	1	-
\$130,000 - \$139,999	3	2
\$140,000 - \$149,999	1	-
\$150,000 - \$159,999	-	1
\$200,000 - \$209,999	-	1
\$210,000 - \$219,999	1	-
	12	17

**Notes to the Financial Report
For the Year Ended 30 June 2018**

Note 6 People and relationships (cont'd)

(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	2017
Income Range:	No.	No.
\$80,000 - \$89,999	-	1
	-	1
Total Remuneration for the reporting year for Senior Officers included above, amounted to	\$'000	\$'000
	-	88

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into no transactions with related parties in excess of \$60,000.

All expense and income transactions with related parties are incurred on normal business terms and conditions and are reviewed by the Audit and Risk Advisory Committee.

There are no outstanding balances or commitments with any related party.

Notes to the Financial Report For the Year Ended 30 June 2018

Note 7 Managing uncertainties

7.1 Contingent assets and liabilities

(a) Contingent assets

There are no contingent assets of which Council is aware at balance date.

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

In addition to the disclosed contributions, Mansfield Shire Council has paid unfunded liability payments to Vision Super totalling \$nil during the 2016-17 year (2015-16 \$nil). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2017. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 are \$nil.

Landfill

Until 30 June 2007 Council operated a landfill at Monkey Gully Road, Mansfield which did not accept putrescible waste. Council has received a Hydro Geological Assessment Report from Coffey Environments Australia Pty Ltd. Council are obligated to restore the landfill site to EPA requirements as per the report. Council raised a provision for these works however during the project contingencies may arise. The amount of this potential contingency cannot be determined.

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

7.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

Notes to the Financial Report For the Year Ended 30 June 2018

7.2 Change in accounting standards (cont'd)

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

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

7.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2018

7.3 Financial instruments (cont'd)

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.66%.

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

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

Notes to the Financial Report For the Year Ended 30 June 2018

7.4 Fair value measurement (cont'd)

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 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

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 Report
For the Year Ended 30 June 2018**

Note 8 Other matters

8.1 Reserves	Balance at beginning of reporting period \$'000	Increment \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves			
2018			
Property			
Land	9,193	2,132	11,325
Buildings	3,624	1,993	5,617
	12,817	4,125	16,942
Infrastructure			
Roads	51,805	-	51,805
Bridges	1,433	3,689	5,122
Footpaths and cycleways	17	-	17
Drainage	3,931	1,236	5,167
Recreational, leisure and community facilities	-	350	350
Offstreet car parks	153	132	285
	57,339	5,407	62,746
Total asset revaluation reserves	70,156	9,532	79,688
2017			
Property			
Land & land improvements	9,193	-	9,193
Buildings	3,624	-	3,624
	12,817	-	12,817
Infrastructure			
Roads	51,805	-	51,805
Bridges	1,433	-	1,433
Footpaths and cycleways	17	-	17
Drainage	3,931	-	3,931
Offstreet car parks	153	-	153
	57,339	-	57,339
Total asset revaluation reserves	70,156	-	70,156

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

(b) Other reserves	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
2018				
Road construction Reserve	160	-	-	160
Footpath construction reserve	28	-	-	28
Car Parking Reserve	8	-	-	8
Open space Reserve	196	45	-	241
Total Other reserves	392	45	-	437
2017				
Road construction Reserve	38	122	-	160
Footpath construction reserve	8	20	-	28
Car Parking Reserve	8	-	-	8
Open space Reserve	163	33	-	196
Total Other reserves	217	175	-	392

**Notes to the Financial Report
For the Year Ended 30 June 2018**

	2018	2017
	\$'000	\$'000
8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	3,269	8,486
Depreciation/amortisation	3,169	3,005
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(39)	(42)
Changes in equity in High Country Library Corporation	-	60
Contributions - Non-monetary assets	(651)	(4,141)
Asset revaluation expense	338	-
Found assets	(761)	-
Finance costs	152	203
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	793	(694)
(Increase)/decrease in prepayments	17	-
(increase)/decrease in other assets	(144)	91
(Increase)/decrease in inventories	24	26
Increase/(decrease) in trade and other payables	17	359
Increase/(decrease) in other liabilities	(39)	394
Increase/(Decrease) in provisions	(97)	228
Net cash provided by/(used in) operating activities	6,048	7,975

8.3 Superannuation

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

Accumulation

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

Defined Benefit

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

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

Funding arrangements

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

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

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

Vision Super has advised that the VBI at June 2018 was 106%.

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

Notes to the Financial Report For the Year Ended 30 June 2018

8.3 Superannuation (cont'd)

Employer contributions

Regular contributions

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

Funding calls

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

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

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

2017 triennial actuarial investigation surplus amounts

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

A VBI surplus of \$69.8 million

A total service liability surplus of \$193.5 million.

A discounted accrued benefits surplus of \$228.8 million.

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

2018 interim actuarial investigation

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

Mansfield Shire Council

Performance Statement

For the year ended 30 June 2018

Performance Statement

For the year ended 30 June 2018

Description of municipality

Mansfield Shire is home to the dramatic landscapes of Victoria's High Country. Visitors and locals agree you can really sense the personality of the place – it's about lifestyle, farming, all things outdoors and a "can do" attitude.

Less than two hours north east of Melbourne, our municipality covers 3,843 square kilometres. Our Shire is home to Mt Buller and Mt Stirling Alpine Resorts (managed by the Mt Buller and Mt Stirling Alpine Resort Management Board), the Alpine National Park, and the second largest in-land waterway in Australia - Lake Eildon.

Tourism, agriculture and lifestyle underpin the Shire's strong economy, supported by a diverse range of commercial and service sectors.

The alpine resort areas of Mt Buller and Mt Stirling are wholly surrounded but excluded from our municipal district. A significant proportion of the municipality is Crown land.

Five major river systems, the Delatite, Howqua, Jamieson, Big and Goulburn, have their headwaters in the Shire and all flow into Lake Eildon.

Agriculture is one of the Shire's key economic drivers, contributing \$60.7m to the Shire's economy. Cattle and sheep grazing, along with seed production, are major industries within the Shire. Grape and tomato production are also significant as are many agriculture related service industries.

It is estimated that Mansfield Shire has an employment base of 3,743 and an industry output of \$823m. The impact of tourism as an economic driver is estimated as 20% of total industry output and 25% of total employment (*RDA Australia - Hume Economic Profile report*).

The Australian Bureau of Statistics (ABS) data from the 2016 census shows our Shire's population at 8,605, an increase of 663 (8.35%) persons since 2011 census figure of 7,942 persons. This figure is expected to grow to 10,000 persons by 2031.

Mansfield, as the major service centre for the Shire, is central to many unique towns and villages. The development of our Shire owes much to our small towns such as:

- Ancona
- Goughs Bay
- Kevington
- Merrijig
- Tolmie
- Barjarg
- Howqua
- Macs Cove
- Merton
- Woods Point
- Bonnie Doon
- Jamieson
- Maindample
- Sawmill Settlement/Alpine Ridge

Mansfield Shire Council will continue to be challenged in providing an appropriate level of infrastructure and services to a growing population in the context of a small rural shire. Roads, bridges and drainage networks are extensive and ageing and will also challenge the capacity of the municipality into the future.

Sustainable Capacity Indicators

For the year ended 30 June 2018

<i>Indicator/measure</i>	Results				Material Variations
	2015	2016	2017	2018	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,263	\$2,281	\$2,079	\$2,210	No material variation
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$12,249	\$11,699	\$11,763	\$12,503	A change in accounting policy to recognise all land under roads has increased the value of infrastructure by \$10.2m in 2017-18.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	10	10	11	11	No material variation
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,588	\$1,656	\$1,641	\$1,777	No material variation
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$687	\$447	\$743	\$570	50% of the 2017-18 Financial Assistance Grants allocation was received in 2016-17, inflating the recurrent grants for 2016-17.
Disadvantage					
<i>Relative socio-economic disadvantage</i> [Index of Relative Socio-economic Disadvantage by decile]	6	6	7	7	No material variation

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"infrastructure" means non-current property, plant and equipment excluding land

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"population" means the resident population estimated by council

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"relative socio-economic disadvantage", in relation to a municipality, means the relative socio-economic disadvantage, expressed as a decile for the relevant financial year, of the area in which the municipality is located according to the Index of Relative Socio-Economic Disadvantage (Catalogue Number 2033.0.55.001) of SEIFA

"SEIFA" means the Socio-Economic Indexes for Areas published from time to time by the Australian Bureau of Statistics on its Internet website

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Service Performance Indicators

For the year ended 30 June 2018

<i>Service/indicator/measure</i>	Results				Material Variations
	2015	2016	2017	2018	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i> [Number of visits to aquatic facilities / Municipal population]	2	2.4	2.1	2.1	No material variation
Animal management					
Health and safety					
<i>Animal management prosecutions</i> [Number of successful animal management prosecutions]	0	8	3	0	There were no prosecutions this year as there were no serious matters which required Court action.
Food safety					
Health and safety					
<i>Critical and major non-compliance notifications</i> [Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	100%	92%	96%	97%	No material variation
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i> [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	53	56	60	54	Although this result is down on the 2016-17 result, it is equal to the State-wide average and above that for small rural councils.

<i>Service/indicator/measure</i>	Results				Material Variations
	2015	2016	2017	2018	
Home and community care					
Participation					
<i>Participation in HACC service</i> [Number of people that received a HACC service / Municipal target population for HACC services] x100	41%	34%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
Participation					
<i>Participation in HACC service by CALD people</i> [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	27%	23%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs
Libraries					
Participation					
<i>Active library members</i> [Number of active library members / Municipal population] x100	22%	18.4%	18.1%	18.8%	No material variation
Maternal and child health					
Participation					
<i>Participation in the MCH service</i> [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	72%	72%	82%	77%	No material variation

<i>Service/indicator/measure</i>	Results				Material Variations
	2015	2016	2017	2018	
Participation					
<i>Participation in the MCH service by Aboriginal children</i> [Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100	80%	100%	100%	100%	No material variation
Roads					
Satisfaction					
<i>Satisfaction with sealed local roads</i> [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	60	57	59	45	Two major road reconstruction projects undertaken during the year, within the main township of Mansfield, required defect rectification by the contractors who performed the works. The defects were widely known by the community and the extended works caused inconvenience to many as the roads are common thoroughfares. It is expected this issue contributed to the community's perception of the sealed local roads when answering the community satisfaction survey.
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i> [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	0%	100%	100%	100%	One decision was to vary the conditions Council has placed on the Notice of Decision, another upheld Council's decision and for the last Council reconsidered its position and a permit was issued after mediation.

Service/indicator/measure	Results				Material Variations
	2015	2016	2017	2018	
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	32%	34%	35%	35%	No material variation
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

"Aboriginal child" means a child who is an Aboriginal person

"Aboriginal person" has the same meaning as in the Aboriginal Heritage Act 2006

"active library member" means a member of a library who has borrowed a book from the library

"annual report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

"CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English

"class 1 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 1 food premises under section 19C of that Act

"class 2 food premises" means food premises, within the meaning of the *Food Act 1984*, that have been declared as class 2 food premises under section 19C of that Act

"Community Care Common Standards" means the Community Care Common Standards for the delivery of HACC services, published from time to time by the Commonwealth

"critical non-compliance outcome notification" means a notification received by council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that poses an immediate serious threat to public health

"food premises" has the same meaning as in the *Food Act 1984*

"HACC program" means the Home and Community Care program established under the Agreement entered into for the purpose of the Home and Community Care Act 1985 of the Commonwealth

"HACC service" means home help, personal care or community respite provided under the HACC program

"local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004*

"major non-compliance outcome notification" means a notification received by a council under section 19N(3) or (4) of the *Food Act 1984*, or advice given to council by an authorized officer under that Act, of a deficiency that does not pose an immediate serious threat to public health but may do so if no remedial action is taken

"MCH" means the Maternal and Child Health Service provided by a council to support the health and development of children within the municipality from birth until school age

"population" means the resident population estimated by council

"target population" has the same meaning as in the Agreement entered into for the purposes of the Home and Community Care Act 1985 of the Commonwealth

"WorkSafe reportable aquatic facility safety incident" means an incident relating to a council aquatic facility that is required to be notified to the Victorian WorkCover Authority under Part 5 of the *Occupational Health and Safety Act 2004*.

Financial Performance Indicators

For the year ended 30 June 2018

Dimension/ <i>indicator/</i> <i>measure</i>	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
Efficiency									
Revenue level ¹									
<i>Average residential rate per residential property assessment</i> [Residential rate revenue / Number of residential property assessments]	\$1,358	\$1,416	\$1,507	\$1,530	\$1,595	\$1,634	\$1,675	\$1,717	No material variation
Expenditure level									
<i>Expenses per property assessment</i> [Total expenses / Number of property assessments]	\$2,537	\$2,509	\$2,369	\$2,513	\$2,436	\$2,469	\$2,508	\$2,529	No material variation
Workforce turnover									
<i>Resignations and terminations compared to average staff</i> [Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100	11%	10%	11%	16%	4%	4%	2%	2%	In an effort to reduce operational costs and create efficient working practices, Council undertook an organisational restructure in April 2018 that led to a number of redundancies. The organisation is now expected to stabilise over the next 4 years with minimal turnover.

¹ Forecasts for this measure differ from those represented in the Mansfield Shire Council adopted Budget 2018-19 because the calculation for *residential rate revenue* in the budget includes only general rates and municipal charge, where the calculation for *residential rate revenue* in this performance statement also includes waste charge income.

Dimension/indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
Liquidity									
Working capital									
<i>Current assets compared to current liabilities</i> [Current assets / Current liabilities] x100	181%	163%	215%	275%	250%	226%	181%	183%	A reduction in capital expenditure (Council contribution) has driven an increase in cash held in term deposits. This is expected to begin to decline over future years as Council focuses on the delivery of some key infrastructure projects.
Unrestricted cash²									
<i>Unrestricted cash compared to current liabilities</i> [Unrestricted cash / Current liabilities] x100	110%	85%	117%	20%	53%	51%	50%	50%	A change in the recognition of term deposits from cash in 2017 to financial assets in 2018 (to comply with reporting regulations) has led to a significant shift in this measure. Council holds all excess funds in term deposits ranging from 3 to 6 months. As at 30 June 2018 Council held \$8.2m in term deposits, which are now excluded from the definition of unrestricted cash used to calculate in this measure. Including term deposits, total cash has increased compared to last year, driven by a reduction in capital expenditure (Council contribution) due to project delays incurred in 2018. This is expected to begin to decline over future years as Council focuses on the delivery of some key infrastructure projects.

² Forecasts for this measure differ from those represented in the Mansfield Shire Council adopted Budget 2018-19 due to a change in the classification of term deposits, reclassified from cash and cash equivalents to financial assets for the purposes of the Performance Statements.

Dimension/indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
Asset renewal <i>Asset renewal compared to depreciation</i> [Asset renewal expenses / Asset depreciation] x100	40%	30%	61%	43%	111%	117%	117%	101%	2017-18 saw delays and deferral of some capital projects. Building and road renewal are key focus areas on the Capital Works program forecast for the next 4 years, striving for a minimum of 100% renewal ratio. Many of the forecast projects hinge on successful grant funding applications. If the anticipated grant funding is not forthcoming, the projects will not proceed.
Loans and borrowings³ <i>Loans and borrowings compared to rates</i> [Interest bearing loans and borrowings / Rate revenue] x100	34%	28%	23%	20%	17%	15%	13%	12%	Council continue to pay down debt, and with no new borrowings forecast over the next 4 years loans will continue to reduce.
Loans and borrowings <i>Loans and borrowings repayments compared to rates</i> [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	6%	7%	5%	4%	3%	2%	2%	2%	Council continue to pay down debt, and with no new borrowings forecast over the next 4 years loans will continue to reduce.

³ Forecasts for this measure differ from those represented in the Mansfield Shire Council adopted Budget 2018-19 because the calculation for *residential rate revenue* in the budget includes only general rates and municipal charge, where the calculation for *residential rate revenue* in this performance statement also includes waste charge income.

Dimension/indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i> [Non-current liabilities / Own source revenue] x100	28%	24%	20%	17%	16%	14%	13%	11%	Council continue to pay down debt, and with no new borrowings forecast over the next 4 years non-current liabilities will continue to reduce.
Operating position									
Adjusted underlying result⁴ <i>Adjusted underlying surplus (or deficit)</i> [Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100	5%	-5%	15%	8%	4%	6%	4%	5%	50% of the 2017-18 Financial Assistance Grants allocation (\$1.4m) was received in 2016-17, inflating the 2016-17 underlying surplus. The 2017-18 surplus includes an additional \$761k in found assets (land assets recently identified as owned by Council but not previously recognised on the balance sheet). This is a non-cash income item that is not expected to occur during the 4 year forecast period.
Stability									
Rates concentration⁵ <i>Rates compared to adjusted underlying revenue</i> [Rate revenue / Adjusted underlying revenue] x100	60%	69%	60%	63%	70%	69%	71%	71%	No material variation.

⁴ The forecasts for this measure differ from those represented in the Mansfield Shire Council adopted Budget 2018-19 due to a correction in the calculation of underlying surplus.

⁵ Forecasts for this measure differ from those represented in the Mansfield Shire Council adopted Budget 2018-19 because the calculation for *residential rate revenue* in the budget includes only general rates and municipal charge, where the calculation for *residential rate revenue* in this performance statement also includes waste charge income.

Dimension/indicator/ measure	Results				Forecasts				Material Variations
	2015	2016	2017	2018	2019	2020	2021	2022	
Rates effort Rates compared to property values [Rate revenue / Capital improved value of rateable properties in the municipality] x100	0.41%	0.43%	0.41%	0.38%	0.39%	0.38%	0.38%	0.37%	The most recent property valuation showed an 11% average increase in Capital Improved Value over the last 2 years, while rate income increased only 2% in 2017-18 as per the imposed rate cap. Property values in the municipality are expected to increase approximately 5% per annum over the forecast years. Rates are expected to increase at the rate cap of 2.25% in 2018-19, and an estimated cap of 2.45% in 2019-20 and 2.5% thereafter.

Definitions

"adjusted underlying revenue" means total income other than:

- (a) non-recurrent grants used to fund capital expenditure; and
- (b) non-monetary asset contributions; and
- (c) contributions to fund capital expenditure from sources other than those referred to above

"adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

"asset renewal expenditure" means expenditure on an existing asset or on replacing an existing asset that returns the service capability of the asset to its original capability

"current assets" has the same meaning as in the AAS

"current liabilities" has the same meaning as in the AAS

“non-current assets” means all assets other than current assets

"non-current liabilities" means all liabilities other than current liabilities

“non-recurrent grant” means a grant obtained on the condition that it be expended in a specified manner and is not expected to be received again during the period covered by a council's Strategic Resource Plan

"own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

"population "means the resident population estimated by council

“rate revenue” means revenue from general rates, municipal charges, service rates and service charges

"recurrent grant "means a grant other than a non-recurrent grant

"residential rates" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

"restricted cash" means cash and cash equivalents, within the meaning of the AAS, that are not available for use other than for a purpose for which it is restricted, and includes cash to be used to fund capital works expenditure from the previous financial year

"unrestricted cash" means all cash and cash equivalents other than restricted cash.

Other Information

For the year ended 30 June 2018

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report. The performance statement includes the results of the prescribed sustainable capacity, service performance and financial performance indicators and measures together with a description of the municipal district and an explanation of material variations in the results. This statement has been prepared to meet the requirements of the *Local Government Act 1989* and Local Government (Planning and Reporting) Regulations 2014.

Where applicable the results in the performance statement have been prepared on accounting bases consistent with those reported in the Financial Statements. The other results are based on information drawn from council information systems or from third parties (e.g. Australian Bureau of Statistics).

The performance statement presents the actual results for the current year and for the prescribed financial performance indicators and measures, the results forecast by the council's strategic resource plan. The Local Government (Planning and Reporting) Regulations 2014 requires explanation of any material variations in the results contained in the performance statement. Council has adopted materiality thresholds relevant to each indicator and measure and explanations have not been provided for variations below the materiality thresholds unless the variance is considered to be material because of its nature.

Except where specified, the forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 26 June 2018 and which forms part of the council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting council.

Certification of the Performance Statement

In my opinion, the accompanying performance statement has been prepared in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

Mandy Kynnersley CA, BBus (Acc)

Principal Accounting Officer

Dated: 18 September 2018

In our opinion, the accompanying performance statement of the Mansfield Shire Council for the year ended 30 June 2018 presents fairly the results of council's performance in accordance with the *Local Government Act 1989* and the *Local Government (Planning and Reporting) Regulations 2014*.

The performance statement contains the relevant performance indicators, measures and results in relation to service performance, financial performance and sustainable capacity.

At the date of signing, we are not aware of any circumstances that would render any particulars in the performance statement to be misleading or inaccurate.

We have been authorised by the council and by the *Local Government (Planning and Reporting) Regulations 2014* to certify this performance statement in its final form.

Harry Westendorp

Mayor

Dated: 18 September 2018

Councillor

Dated: 18 September 2018

Alex Green

Chief Executive Officer

Dated: 18 September 2018
