

**SURF COAST SHIRE COUNCIL  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2017*

**Surf Coast Shire Council  
Financial Report  
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## Comprehensive Income Statement For the Year Ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
<b>Income</b>			
Rates and charges	3	47,847	45,777
Statutory fees and fines	4	1,706	1,297
User fees	5	6,226	5,605
Grants - operating	6	9,921	5,848
Grants - capital	6	3,236	4,202
Contributions - monetary	7	3,532	3,170
Contributions - non monetary	7	10,718	9,970
Other income	9	1,874	1,329
<b>Total income</b>		<b>85,060</b>	<b>77,198</b>
<b>Expenses</b>			
Employee costs	10	(27,815)	(26,317)
Materials and services	11	(24,740)	(20,399)
Bad and doubtful debts	12	(146)	(518)
Depreciation	13	(10,994)	(10,629)
Borrowing costs	14	(1,077)	(1,122)
Net loss on disposal of property, infrastructure, plant and equipment	8	(2,115)	(1,405)
Share of net losses of Geelong Regional Library Corporation	16	(80)	(43)
Other expenses	15	(1,121)	(1,050)
<b>Total expenses</b>		<b>(68,088)</b>	<b>(61,483)</b>
<b>Surplus for the year</b>		<b>16,972</b>	<b>15,715</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	29(a)	44,851	58,271
<b>Total comprehensive result</b>		<b>61,823</b>	<b>73,986</b>

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

**Balance Sheet**  
**As at 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	2,414	6,977
Other financial assets	18	36,380	23,600
Trade and other receivables	19	3,843	2,577
Inventories	20	270	232
Non-current assets classified as held for sale	21	-	281
Other assets	22	562	654
<b>Total current assets</b>		<b>43,469</b>	<b>34,321</b>
<b>Non-current assets</b>			
Trade and other receivables	19	68	125
Investments in Geelong Regional Library Corporation	16	457	537
Other financial assets	18	-	1,000
Property, infrastructure, plant and equipment	23	516,322	456,885
<b>Total non-current assets</b>		<b>516,847</b>	<b>458,547</b>
<b>Total assets</b>		<b>560,316</b>	<b>492,868</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	6,619	3,172
Trust funds and deposits	25	2,651	1,672
Provisions	26	6,028	8,033
Interest-bearing loans and borrowings	27	675	628
Other Liabilities	28	137	85
<b>Total current liabilities</b>		<b>16,110</b>	<b>13,590</b>
<b>Non-current liabilities</b>			
Provisions	26	11,648	11,986
Interest-bearing loans and borrowings	27	14,262	14,936
<b>Total non-current liabilities</b>		<b>25,910</b>	<b>26,922</b>
<b>Total liabilities</b>		<b>42,020</b>	<b>40,512</b>
<b>Net assets</b>		<b>518,296</b>	<b>452,356</b>
<b>Equity</b>			
Accumulated surplus		204,291	187,235
Revaluation reserves	29	281,200	236,349
Other reserves	29	32,805	28,772
<b>Total Equity</b>		<b>518,296</b>	<b>452,356</b>

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

### Statement of Changes in Equity For the Year Ended 30 June 2017

	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000	Other Reserves \$'000
<b>2017</b>					
Balance at beginning of the financial year		452,356	187,235	236,349	28,772
Adjustment to opening accumulated surplus : Recognition of previously unrecognised Land assets *		4,117	4,117	-	-
Surplus for the year		16,972	16,972	-	-
Net asset revaluation increment	29(a)	44,851	-	44,851	-
Transfers to other reserves	29(b)	-	(32,511)	-	32,511
Transfers from other reserves	29(b)	-	28,478	-	(28,478)
<b>Balance at end of the financial year</b>		<b>518,296</b>	<b>204,291</b>	<b>281,200</b>	<b>32,805</b>

		Total \$'000	Accumulated Surplus \$'000	Revaluation Reserves \$'000	Other Reserves \$'000
<b>2016</b>					
Balance at beginning of the financial year		378,571	176,720	178,078	23,773
Adjustment to opening accumulated surplus		(201)	(201)	-	-
Surplus for the year		15,715	15,715	-	-
Net asset revaluation Increment	29(a)	58,271	-	58,271	-
Transfers to other reserves	29(b)	-	(19,574)	-	19,574
Transfers from other reserves	29(b)	-	14,575	-	(14,575)
<b>Balance at end of the financial year</b>		<b>452,356</b>	<b>187,235</b>	<b>236,349</b>	<b>28,772</b>

\* As these Land assets relate to existing assets not previously recognised, corrections were made to the balance of accumulated surplus for the year ended 30 June 2017.

**Statement of Cash Flows**  
**For the Year Ended 30 June 2017**

	Note	2017 Inflows/ (Outflows) \$'000	2016 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		47,733	46,437
Statutory fees and fines		1,700	1,690
User fees		6,538	6,176
Grants - operating		10,269	6,013
Grants - capital		3,375	4,365
Contributions - monetary		3,532	3,170
Interest received		1,800	1,383
Trust funds and deposits taken		6,534	6,112
Net GST refund		2,063	2,589
Employee costs		(27,357)	(26,566)
Materials and services		(29,131)	(25,141)
Trust funds and deposits repaid		(5,555)	(5,762)
<b>Net cash provided by operating activities</b>	30	<u>21,501</u>	<u>20,466</u>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	23	(13,275)	(13,519)
Proceeds from sale of property, infrastructure, plant and equipment	8	696	484
Payments for investments		(72,880)	(56,800)
Proceeds from sale of investments		61,100	52,450
<b>Net cash (used in) investing activities</b>		<u>(24,359)</u>	<u>(17,385)</u>
<b>Cash flows from financing activities</b>			
Finance costs		(1,078)	(1,121)
Repayment of borrowings		(627)	(585)
<b>Net cash (used in) financing activities</b>		<u>(1,705)</u>	<u>(1,706)</u>
Net increase/(decrease) in cash and cash equivalents		(4,563)	1,375
Cash and cash equivalents at the beginning of the financial year		6,977	5,602
<b>Cash and cash equivalents at the end of the financial year</b>	17	<u>2,414</u>	<u>6,977</u>
Refer to Financing arrangements	31		
Refer to Restrictions on cash assets	17		

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

**Statement of Capital Works  
For the Year Ended 30 June 2017**

	Note	2017 \$'000	2016 \$'000
<b>Property</b>			
Land		5	500
<b>Total land</b>		<u>5</u>	<u>500</u>
Buildings		3,193	1,631
<b>Total buildings</b>		<u>3,193</u>	<u>1,631</u>
<b>Total property</b>		<u>3,198</u>	<u>2,131</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,111	1,262
Fixtures, fittings, and furniture		37	20
Computers and telecommunications		245	190
<b>Total plant and equipment</b>		<u>1,393</u>	<u>1,472</u>
<b>Infrastructure</b>			
Roads		4,169	4,222
Bridges		14	76
Footpaths and cycleways		477	780
Drainage and sewerage		647	752
Recreational, leisure and community facilities		1,736	2,757
Parks, open space and streetscapes		1,359	1,095
Off street car parks		94	235
<b>Total infrastructure</b>		<u>8,496</u>	<u>9,917</u>
<b>Total capital works expenditure</b>		<u>13,087</u>	<u>13,520</u>
<b>Represented by:</b>			
New asset expenditure		6,420	6,218
Asset renewal expenditure		4,806	5,568
Asset expansion expenditure		496	418
Asset upgrade expenditure		1,365	1,316
<b>Total capital works expenditure</b>		<u>13,087</u>	<u>13,520</u>

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

#### Introduction

The Surf Coast Shire was established by an Order of the Governor in Council on 9 March 1994 and is a body corporate. The Council's main office is located at 1 Merrijig Drive, Torquay.

#### 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, other authoritative pronouncements of the Australian Accounting Standards Board, the Local Government Act 1989, and the Local Government (Planning and Reporting) Regulations 2014.

#### Note 1 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 1 (l) )
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to note 1 (m) )
- the determination of employee provisions (refer to note 1 (r) )
- the determination of landfill provision (refer to note 1(s) )

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.

##### (b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

##### (c) Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full. The following special committees are not included in this financial report as their aggregate income is immaterial and they prepare their own financial reports separately :

Deans Marsh Public Hall and Memorial Park Committee of Management  
Stribling Reserve Committee of Management  
Anderson Roadknight Reserve Committee of Management  
Eastern Reserve Committee of Management  
Modewarre Memorial Hall and Reserve Committee of Management  
Connewarre Reserve Committee of Management  
Globe Theatre Committee of Management  
Anglesea Bike Park



**Note 1 Significant accounting policies (cont.)**

**(d) Accounting for investments in associates and joint arrangements**

*Associates*

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.

**(e) Revenue recognition**

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

*Rates and Charges*

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.

*Statutory fees and fines*

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.

*User fees*

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

*Grants*

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

*Contributions*

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

*Sale of property, infrastructure, plant and equipment*

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

*Interest*

Interest is recognised as it is earned.

*Other Income*

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 1 Significant accounting policies (cont.)**

**(f) Fair value measurement**

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

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

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

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

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

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

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

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.

**(g) Cash and cash equivalents**

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.

**(h) Trade and other receivables**

Receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred.

**(i) Other financial assets**

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

**(j) Inventories**

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where Inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

**(k) Non-current assets classified as held for sale**

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

**Note 1 Significant accounting policies (cont.)**

**(l) Recognition and measurement of property, plant and equipment, infrastructure, intangibles**

*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 detailed in Note 1 (m) have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

*Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 23 Property, infrastructure, plant and equipment.

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.

*Land under roads*

Land under roads acquired after 30 June 2008 is brought to account using a cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

**(m) Depreciation of property, infrastructure and plant and equipment**

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

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

Road earthworks are not depreciated on the basis that they are assessed as not having a limited useful life. Straight line depreciation is charged based on the residual useful life as determined each year, apart from the plant and machinery class which is reducing balance.

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

**Note 1 Significant accounting policies (cont.)**

**(m) Depreciation property, infrastructure and plant and equipment (cont'd)**

<i>Asset recognition thresholds and depreciation periods</i>		Depreciation Period	Threshold Limit \$'000
Heritage Buildings		100 - 150 year	1
Buildings - Complex	Structure	100 years	1
	Roof	50 years	1
	Fit Out	25 years	1
	Services	20 years	1
Buildings - Simple		40 years	1
Plant, machinery and equipment		2 - 15 years	1
Fixtures, fittings and furniture		3 - 10 years	1
Computers and telecommunications		3 - 10 years	1
Sealed Road Pavements	High Traffic	90 years	1
	Low Traffic	100 years	1
	Concrete	40 years	1
Unsealed Road Pavements		16 years	1
	High Traffic	20 - 25 years	1
	Low Traffic	15 - 18 years	1
Seals	Spray Seal	25 - 30 years	1
	Asphalt	70 years	1
Road Kerb and Channel		25 - 80 years	1
Bridges and Major Culverts	Timber Bridges	40 years	1
		80 - 140 years	1
	Other Bridges		
Footpaths and Cycleways	Concrete	65 years	1
	Asphalt	30 years	1
	Brick	50 years	1
	Gravel	20 years	1
Drainage and Sewerage		80 - 150 years	1
	Drainage		
	Sewerage	80 years	1
	Septic Tanks	30 years	1
Recreation, leisure and community facilities		10 - 40 years	1
Parks, Open Spaces and streetscapes		10 - 50 years	1
Off Street car parks	Sealed Pavement	100 years	1
	Unsealed Pavement	20 years	1
	Sealed Pavement	15 - 30 years	1

**(n) Repairs and maintenance**

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. 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.

**(o) 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.

**Note 1 Significant accounting policies (cont.)**

**(p) Trust funds and deposits**

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 (refer to Note 25).

**(q) Borrowings**

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.

*Borrowing costs*

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. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts and interest on borrowings.

**(r) Employee costs and benefits**

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.

Current liability - unconditional LSL is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

- present value - component that is not expected to be wholly settled within 12 months.
- nominal value - component that is expected to be wholly settled within 12 months.

*Classification of employee costs*

Non-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. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value.

**(s) Landfill rehabilitation provision**

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

**Note 1 Significant accounting policies (cont.)**

**(t) Leases**

*Operating leases*

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.

**(u) Goods and Services Tax (GST)**

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

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

**(v) Financial guarantees**

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that that right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet are disclosed at Note 35 Contingent Liabilities and Contingent Assets.

**(w) Contingent assets and contingent liabilities and commitments**

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of note and presented inclusive of the GST payable.

**(x) Pending accounting standards**

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

*Revenue from contracts with customers (AASB 15) (applies 2019/20)*

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.

*Leases (AASB 16) (applies 2019/20)*

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

Council has a number of operating leases that will be impacted as a result of this change. This will see assets and liabilities of approximately \$1,157,000 recognised.

*Income for Not-for-Profit entities (AASB 1058) (applies 2019/20)*

Where a transaction does not meet the requirements to be accounted for under AASB 15 Council will need to assess whether the transaction should be accounted for under AASB 1058. It is expected that Council will need to recognise its volunteer services and consider performance obligations on future grants received.

**(y) Rounding**

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars. Figures in the financial statement may not equate due to rounding.

**Note 2 Budget comparison**

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 14th June 2016. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

**a) Income and Expenditure**

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
<b>Income</b>				
Rates and charges	47,837	47,847	10	
Statutory fees and fines	1,525	1,706	181	1
User fees	5,771	6,226	455	2
Grants - operating	7,526	9,921	2,395	3
Grants - capital	2,509	3,236	727	4
Contributions - monetary	2,693	3,532	839	5
Contributions - non monetary	7,840	10,718	2,878	6
Other income	792	1,874	1,082	7
<b>Total income</b>	<u>76,493</u>	<u>85,060</u>	<u>8,567</u>	
<b>Expenses</b>				
Employee costs	27,567	27,815	(248)	8
Materials and services	26,237	24,740	1,497	9
Bad and doubtful debts	79	146	(67)	10
Depreciation	11,338	10,994	344	11
Borrowing costs	1,077	1,077	-	
Net loss on disposal of property, infrastructure, plant and equipment	1,326	2,115	(789)	12
Share of net losses of Geelong Regional Library Corporation	-	80	(80)	
Other expenses	1,103	1,121	(18)	
<b>Total expenses</b>	<u>68,727</u>	<u>68,088</u>	<u>639</u>	
<b>Surplus for the year</b>	<u>7,766</u>	<u>16,972</u>	<u>9,206</u>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Statutory fees and fines (income)	Planning Fees higher than budgeted mainly due to increasing fees and higher number of applications \$155k, Other Statutory fees higher than budget mainly due to higher election fines received from the VEC and higher number of subdivision applications \$99k, partially offset by fines and penalty revenue lower than budgeted due to lower resourcing than budgeted in the local laws area (\$73k)
2	User Fees	Waste and Recycling charges higher than budget due to higher drop-off rates at transfer stations \$428k, higher Gravel Pit royalties due to increased gravel extraction \$101k, lower other user charges (\$74k) mostly related to aged and family services.
3	Grants - Operating	Early Receipt of 50% of the Victorian Grants Commission 2017/18 allocation \$1,915k, higher aged and family services grants \$378k, higher kindergarten grants \$134k, lower other grants (\$32k).
4	Grants - Capital	Additional Grant Funds received, made up of \$286k transport projects, \$205k recreation Projects, \$203k building projects, and \$33k for other projects.
5	Contributions - monetary	Contributions and recoupments to projects higher than budgeted, made up of: Merrijig Drive Construction \$400k, Anglesea Bowls Club \$250k, Powercor Road Reinstatements \$239k, Spring Creek Precinct Structure Plan \$175k, Regional Motorcycle facility \$100k, and other project related Contributions and recoupments \$138k. Operating contributions and recoupments lower than budget due to lower subdivider contributions (\$659k), partially offset by higher recoupment of valuation fees from the State Revenue Office \$118k, and higher other contributions \$78k.
6	Contributions - non monetary	Higher contributed assets from developers due to increased development activity \$2,878k.
7	Other Income	Higher other income due to Landfill Rehabilitation Provision adjustment \$853k, higher interest revenue earned on investments \$383k, interest on property rates budgeted as other income now reflected in rates and charges (\$145k), and lower other income (\$9k)
8	Employee costs	Higher internal project management costs on operational projects (\$251k) which was budgeted entirely in capital projects, higher expensed labour on capital projects (\$119k), partially offset by lower training costs \$105k, lower workcover premium \$82k, and lower other costs \$20k
9	Materials and services	Project spend lower than budgeted \$1,189k, mainly due to delayed project spend (Municipal Emergency Program \$200k, Council Systems Improvements \$195k, Environmental Initiatives \$191k, Land Remediation \$88k, Coastal Management Plan implementation \$60k, and Torquay Jan Juc DCP Review \$55k), and lower project spend than budgeted (Regional Motorcycle facility \$90k, Project Contingency \$70k). Plus, Operating spend lower than budgeted \$296k, due to lower debt collection costs \$143k (partially offset by lower revenue), lower grants and contributions expended \$98k, lower revaluation costs \$94k, lower fuel costs \$81k, lower software costs \$79k, and other costs lower than budgeted \$150k, partially offset by higher Contractor costs (\$349k) - mainly in Open Space and Facilities (\$167k), Waste Operations (\$110k)
10	Bad and doubtful debts	Bad debts higher than budgeted due to procedural review of aged infringement debtors
11	Depreciation	Lower depreciation on Footpaths and Cycleways resulting from asset revaluations in 2015/16 \$222k, lower depreciation on Plant and Equipment due to delay in purchasing of assets \$173k, and lower depreciation on Open Space Assets \$141k and Information Technology Assets \$100k, partially offset by higher depreciation on buildings (\$135k) and drainage assets (\$102k) due to asset revaluations, and higher depreciation on other asset categories (\$55k).
12	Net loss on disposal of property, infrastructure, plant and equipment	Higher Asset Write offs (\$1,162k) mainly due to asset upgrade and renewal projects, partially offset by higher gains from sale of equipment \$347k, and sale of land \$26k



Note 2 Budget comparison (cont)

b) Capital Works

	Budget 2017 \$'000	Actual 2017 \$'000	Variance 2017 \$'000	Ref
<b>Property</b>				
Land	850	5	(845)	1
<b>Total Land</b>	<b>850</b>	<b>5</b>	<b>(845)</b>	
Buildings	3,587	3,193	(394)	2
<b>Total Buildings</b>	<b>3,587</b>	<b>3,193</b>	<b>(394)</b>	
<b>Total Property</b>	<b>4,437</b>	<b>3,198</b>	<b>(1,239)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	1,074	1,111	37	
Fixtures, fittings and furniture	20	37	17	
Computers and telecommunications	450	245	(205)	3
<b>Total Plant and Equipment</b>	<b>1,544</b>	<b>1,393</b>	<b>(151)</b>	
<b>Infrastructure</b>				
Roads	5,791	4,169	(1,622)	4
Bridges	45	14	(31)	
Footpaths and cycleways	483	477	(6)	
Drainage and Sewerage	650	647	(3)	
Recreational, leisure and community facilities	912	1,736	824	5
Parks, open space and streetscapes	3,274	1,359	(1,915)	6
Off street car parks	-	94	94	7
<b>Total Infrastructure</b>	<b>11,155</b>	<b>8,496</b>	<b>(2,659)</b>	
<b>Total Capital Works Expenditure</b>	<b>17,136</b>	<b>13,087</b>	<b>(4,049)</b>	
<b>Represented by:</b>				
New asset expenditure	7,586	6,420	(1,166)	
Asset renewal expenditure	5,854	4,806	(1,048)	
Asset expansion expenditure	-	496	496	
Asset upgrade expenditure	3,696	1,365	(2,331)	
<b>Total Capital Works Expenditure</b>	<b>17,136</b>	<b>13,087</b>	<b>(4,049)</b>	

The budget has been realigned to include contingency allocation of the capital works program.

Note 2 Budget comparison (cont)  
(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Delayed purchase of land due to ongoing negotiations.
2	Buildings	Building Renewal scope completed under budget (\$129k). Other variances related to timing of project implementation on: Spring Creek Recreation Master Plan Stage 2 Netball Facility Upgrade (\$421k); Anglesea Arthouse Sheds Renewal (\$109k), Anglesea Cricket Pavilion Upgrade Stage 1 (\$95k). In addition there was (\$173k) of non-capital expenditure in the program. The multi-year project spend was offset by additional spend on new projects approved by Council resolution including: Kurrabee Myaring Community Centre \$468k, Solar Towns Project \$39k, Torquay Lions/Rotary Shed \$29k, and Torquay Indoor Stadium planning \$18k
3	Computers and telecommunications	Council entered into an operating lease for computers resulting in reduced computer replacement expenditure (\$147k). In addition, a number of projects are underway as part of Councils digital transformation strategy resulting in a number of carried forward projects including: Civica Online Requisitions & Accounts Payable Workflow (\$27k), Trapeze Software (\$22k) and Authority Software Upgrade (\$10k). Additional expenditure on new projects approved by Council resolution during 2016/17 included: Trapeze Software \$43k.
4	Roads	A number of projects were completed under budget including: Sealed Road and Kerb Renewal Program (\$577k), Regional Bike Route Horseshoe Bend Road (\$23k), Coombes Road Widening (\$6k) and Winchelsea Transfer Station Entry (\$3k). Other delayed expenditure due to timing of project implementation: Horseshoe Bend South Beach Road Intersection (\$404k), Darian Road Reconstruction (\$281k), Cape Otway Road Widening (\$135k), Realign Anglesea Transfer Station (\$129k), Lorne School Traffic Management Upgrade (\$129k), Road Safety Program (\$71k), Beal and Trebeck Court Road Construction (\$58k) and Hopkins Street Construction & Seal (\$45k). Additional expenditure on new projects approved by Council resolution during 2016/17 included: Disaster Relief projects \$100k, Anglesea Landfill Construction \$98k, Fischer Street and Beach Road Roundabout \$38k.
5	Recreational, leisure and community facilities	Projects incorporated into the amended budget during 2016/17 included: The Civic Centre Precinct Playzone Banyul \$595k, Grenville Oval \$440k, Anglesea Tennis Courts Synthetic Surface \$123k, Aireys Inlet Tennis Courts Resurfacing \$50k and Spring Creek Tennis Courts Renewal \$9k. Savings on projects included: Aireys Inlet Reserve Playground (\$69k), Playground Strategy Implementation (\$47k), Gnarwarre Tennis Courts Renewal (\$28k), Playground Equipment Renewal (\$7k), Bob Pettitt Reserve Playground Renewal (\$3k) and Bike Park Renewal (\$3k). In addition there was (\$202k) of non-capital expenditure in the program.
6	Parks, open space and streetscapes	The following projects are not yet complete and will be carried forward into 2017/18 : Blackgate Road Horseshoe Bend Road (\$728k), Tarpomatic Alternate Daily Cover System (\$329k), Anglesea Transfer Station Upgrade (\$154k), Anglesea Landfill Fence Replacement (\$110k), Winchelsea Entrance Sculptures (\$85k), Deep Creek Linear Reserve (\$57k), Grass Tree Park Upgrade (\$33k), Winchelsea Beautification Town Centre (\$24k), Grenville Oval Road (\$16k) and Bells Beach Recreation Reserve Upgrade (\$13k). In addition there was (\$288k) of non-capital expenditure in the program.
7	Off street car parks	No budget was assigned in the 2016/17 budget for Off Street Car Parks specifically, with the budget incorporated into Roads projects. During the financial year, capital expenditure was completed as part of the road program scope including: Winchelsea Transfer Station Sealed Entry (\$44k), Horseshoe Bend Road Widening South of South Beach Road PC03 (\$23k), Deans Marsh Recreation Reserve and Community Centre Car Park Gravel Re-sheet (\$12k) and Jan Juc Creek Reserve Apex Car Park (\$9k).

	2017 \$'000	2016 \$'000
<b>Note 3 Rates and charges</b>		
Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the total market value of the land and buildings and other improvements.		
The valuation base used to calculate general rates for 2016/17 was \$14,093 million (2015/16 \$13,093 million). The 2016/17 rate in the dollar was 0.0024591 (2015/16, 0.0025457).		
General Rates	36,679	35,514
Municipal charge	4,175	3,995
Waste management charge	6,355	6,006
Special rates and charges	187	-
Supplementary rates and rate adjustments	326	122
Interest on rates and charges	125	140
<b>Total rates and charges</b>	<b>47,847</b>	<b>45,777</b>
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016.		
<b>Note 4 Statutory fees and fines</b>		
Infringements and costs	730	619
Town planning fees	494	277
Land information certificates	41	42
Subdivision fees	331	266
Other statutory fees and fines	110	93
<b>Total statutory fees and fines</b>	<b>1,706</b>	<b>1,297</b>
<b>Note 5 User fees</b>		
Aged and health services	490	552
Leisure centre and recreation	914	908
Child care/children's programs	747	600
Registration and other permits	584	527
Building services	81	85
Waste management services	2,366	1,885
Royalties	424	414
Gravel pits	112	94
Lease rentals	68	79
Other fees and charges	440	461
<b>Total user fees</b>	<b>6,226</b>	<b>5,605</b>

	2017 \$'000	2016 \$'000
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	8,422	4,473
State funded grants	4,735	5,577
<b>Total grants received</b>	<u>13,157</u>	<u>10,050</u>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Grants Commission	5,617	1,791
Family day care	45	51
Home and community care	415	558
Other	58	89
<b>Recurrent - State Government</b>		
Home and community care	1,212	1,240
School crossing supervisors	42	41
Maternal and child health	249	212
Community safety	240	274
Kindergartens	1,514	1,186
Environmental planning	23	23
Youth Services	102	101
Other	121	86
<b>Total recurrent operating grants</b>	<u>9,638</u>	<u>5,652</u>
<b>Non-recurrent - State Government</b>		
Community safety	138	-
Environmental planning	40	15
Home and community care	-	6
Other	105	174
Family and children	-	1
<b>Total non-recurrent operating grants</b>	<u>283</u>	<u>196</u>
<b>Total operating grants</b>	<u>9,921</u>	<u>5,848</u>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,287	1,984
<b>Total recurrent capital grants</b>	<u>2,287</u>	<u>1,984</u>
<b>Non-recurrent - State Government</b>		
Buildings	273	175
Community Safety	-	60
Roads	336	272
Tourism	-	50
Recreation	305	1,274
Waste management	-	167
Other	20	70
Environmental Planning	15	150
<b>Total non-recurrent capital grants</b>	<u>949</u>	<u>2,218</u>
<b>Total capital grants</b>	<u>3,236</u>	<u>4,202</u>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	1,951	1,781
Received during the financial year and remained unspent at balance date	790	432
Received in prior years and spent during the financial year	(1,782)	(262)
<b>Balance at year end</b>	<u>959</u>	<u>1,951</u>

	2017 \$'000	2016 \$'000
<b>Note 7 Contributions</b>		
Monetary	3,532	3,170
Non-monetary	10,718	9,970
<b>Total contributions</b>	<b>14,250</b>	<b>13,140</b>
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>		
Land	996	868
Land under roads	214	579
Buildings	333	504
Roads	5,832	4,390
Other Infrastructure	3,343	3,629
	<b>10,718</b>	<b>9,970</b>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	696	484
Written down value of assets disposed	(2,811)	(1,889)
<b>Total net loss on disposal of property, infrastructure, plant and equipment</b>	<b>(2,115)</b>	<b>(1,405)</b>
<b>Note 9 Other income</b>		
Interest	1,021	903
Future landfill rehabilitation	853	426
<b>Total other income</b>	<b>1,874</b>	<b>1,329</b>
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	23,598	22,269
WorkCover	480	489
Casual staff	710	708
Superannuation	2,261	2,144
Fringe benefits tax	244	247
Other	522	460
<b>Total employee costs</b>	<b>27,815</b>	<b>26,317</b>
<b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	56	99
	<b>56</b>	<b>99</b>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,412	1,408
Employer contributions - other funds	735	631
	<b>2,147</b>	<b>2,039</b>
Employer contributions payable at reporting date.	-	-
Refer to note 34 for further information relating to Council's superannuation obligations.		

	2017 \$'000	2016 \$'000
<b>Note 11 Materials and services</b>		
Contract payments	8,381	6,146
General maintenance	203	210
Utilities	1,230	1,135
Office administration	774	698
Information technology	906	684
Insurance	567	580
Consultants	2,084	1,536
Fuel	617	587
Grants, Contributions & Sponsorship	2,166	1,336
Materials	1,400	1,414
Sub-contractors	3,780	3,620
Royalties	1,192	1,213
Other	1,440	1,240
<b>Total materials and services</b>	<b>24,740</b>	<b>20,399</b>
<b>Note 12 Bad and doubtful debts</b>		
Infringement debtors	136	518
Rates debtors	8	-
Other debtors	2	-
<b>Total bad and doubtful debts</b>	<b>146</b>	<b>518</b>
<b>Note 13 Depreciation</b>		
Property	2,102	1,923
Plant and equipment	1,095	1,340
Infrastructure	7,798	7,366
<b>Total depreciation</b>	<b>10,995</b>	<b>10,629</b>
<i>Refer to note 23 for a more detailed breakdown of depreciation charges</i>		
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	1,077	1,122
<b>Total borrowing costs</b>	<b>1,077</b>	<b>1,122</b>
<b>Note 15 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	43	41
Auditors' remuneration - Internal audit	79	47
Councillors' allowances	281	290
Operating lease rentals	718	672
<b>Total other expenses</b>	<b>1,121</b>	<b>1,050</b>

	2017	2016
	\$'000	\$'000
<b>Note 16 Investment in associates</b>		
Investments in associates accounted for by the equity method are:		
- Geelong Regional Library Corporation	457	537
<i>Background</i>		
The Geelong Regional Library Corporation (GRLC) was formed under the provisions of sections 196 and 197 of the Local Government Act, 1989 on 4 March 1997 to provide library services within the local government areas of: Borough of Queenscliff, City of Greater Geelong, Golden Plains Shire and Surf Coast Shire. Council holds 3.85% (2016, 4.13%) of equity in the corporation. Council has one director on the Board of seven. Council has the ability to influence rather than control its operations.		
<b>Fair value of Council's investment in Geelong Regional Library Corporation</b>	<b>457</b>	<b>537</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	537	580
Reported surplus/(deficit) for year	(80)	(43)
Council's share of accumulated surplus/(deficit) at end of year	<b>457</b>	<b>537</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	537	580
Share of surplus/(deficit) for year	(80)	(43)
Carrying value of investment at end of year	<b>457</b>	<b>537</b>

	2017	2016
	\$'000	\$'000
<b>Note 17 Cash and cash equivalents and financial assets</b>		
Cash on hand	5	5
Cash at bank	2,409	1,972
Term deposits (maturity less than 90 days)	-	5,000
<b>Cash and cash equivalents</b>	<u>2,414</u>	<u>6,977</u>
Term deposits (maturity greater than 90 days, refer note 18 Other financial assets)	36,380	24,600
<b>Total cash and cash equivalents and financial assets</b>	<u>38,794</u>	<u>31,577</u>
Council's cash and cash equivalents and financial assets are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:		
- Trust funds and deposits (Note 25)	2,651	1,672
- Reserve funds restricted for specific use (Note 29)	3,424	5,365
Total restricted funds	<u>6,075</u>	<u>7,037</u>
Total unrestricted cash and cash equivalents and financial assets	<u>32,719</u>	<u>24,540</u>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Plant replacement	1,080	949
- Airey's Inlet aged care units	300	343
- Waste	4,322	6,196
- Gravel Pits	1,660	1,748
- Defined benefits superannuation	724	474
- Cash held to fund carried forward capital works	8,741	5,582
- Cash held to fund carried forward capital new initiatives	1,562	770
- Cash held to fund adopted strategy implementation	4,349	2,404
- Cash held to fund asset renewal	411	357
- Cash held to fund developer contribution council allocation	1,172	920
<b>Total funds subject to intended allocations</b>	<u>24,321</u>	<u>19,743</u>
<b>Note 18 Other financial assets</b>		
Term deposits - Current	36,380	23,600
Term deposits - Non-Current	-	1,000
<b>Total other financial assets</b>	<u>36,380</u>	<u>24,600</u>
<b>Note 19 Trade and other receivables</b>		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	1,457	1,343
Special rate assessment	34	30
Infringement debtors	423	434
Provision for doubtful debts - infringements	(79)	(96)
<i>Non statutory receivables</i>		
Net GST receivable	874	290
Other debtors	1,134	576
Total current trade and other receivables	<u>3,843</u>	<u>2,577</u>
<b>Non-current</b>		
<i>Statutory receivables</i>		
Special rate scheme	68	125
Total non-current trade and other receivables	<u>68</u>	<u>125</u>
<b>Total trade and other receivables</b>	<u>3,911</u>	<u>2,702</u>



	2017	2016
	\$'000	\$'000
<b>Note 19 Trade and other receivables (cont.)</b>		
<b>a) Ageing of Receivables</b>		
At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:		
Current (not yet due)	683	434
Past due by up to 30 days	155	98
Past due between 31 and 180 days	296	44
<b>Total trade &amp; other receivables</b>	<u>1,134</u>	<u>576</u>
<b>b) Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	96	163
New Provisions recognised/(used) during the year	(17)	(67)
<b>Balance at end of year</b>	<u>79</u>	<u>96</u>
<b>Note 20 Inventories</b>		
Inventories held for distribution	214	169
Inventories held for sale	56	63
<b>Total inventories</b>	<u>270</u>	<u>232</u>
<b>Note 21 Non current assets classified as held for sale</b>		
Land & Buildings	-	281
<b>Total non current assets classified as held for sale</b>	<u>-</u>	<u>281</u>
<b>Note 22 Other assets</b>		
Prepayments	201	226
Accrued income	361	428
<b>Total other assets</b>	<u>562</u>	<u>654</u>

Note 23 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Acquisitions	Contributions	Revaluation	Depreciation	Disposals	Transfers	Recognition of previously unrecognised Land assets	WDV 30 June 2017
Land	107,311	19	1,253	14,755	-	-	281	4,117	127,736
Buildings	53,540	601	286	23,772	(2,102)	(15)	71	-	76,153
Plant and Equipment	6,097	1,275	-	-	(1,095)	(557)	307	-	6,027
Infrastructure	286,265	5,396	9,179	6,324	(7,798)	(1,979)	2,636	-	300,023
Work in progress	3,672	5,985	-	-	-	(260)	(3,014)	-	6,383
	456,885	13,276	10,718	44,851	(10,995)	(2,811)	281	4,117	516,322

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	164	2,763	(71)	-	2,856
Plant and Equipment	307	116	(307)	-	116
Infrastructure	3,201	3,106	(2,636)	(260)	3,411
Total	3,672	5,985	(3,014)	(260)	6,383

**Note 23 Property, infrastructure, plant and equipment (cont'd)**

<b>Land and Buildings</b>	<b>Note</b>	<b>Land Under Roads - specialised</b>	<b>Land - specialised</b>	<b>Land - non specialised</b>	<b>Total Land</b>	<b>Buildings - specialised</b>	<b>Buildings - non specialised</b>	<b>Total Buildings</b>	<b>Work In Progress</b>	<b>Total Property</b>
At fair value 1 July 2016		3,386	98,917	5,008	107,311	79,047	12,656	91,703	164	199,178
Accumulated depreciation at 1 July 2016		-	-	-	-	(33,307)	(4,856)	(38,163)	-	(38,163)
Recognition of previously unrecognised Land assets		-	4,117	-	4,117	-	-	-	-	-
		3,386	103,034	5,008	111,428	45,740	7,800	53,540	164	161,015
<b>Movements in fair value</b>										
Acquisition of assets at fair value				19	19	266	335	601	2,763	3,383
Contributed assets		214	1,039	-	1,253	16	322	338	-	1,591
Revaluation increments/(decrements)			14,090	665	14,755	3,476	(1,567)	1,909	-	16,664
Fair value of assets disposed			-	-	-	-	(16)	(16)	-	(16)
Transfers			-	281	281	-	71	71	(71)	281
		214	15,129	965	16,308	3,758	(855)	2,903	2,692	21,903
<b>Movements in accumulated depreciation</b>										
Depreciation			-	-	-	(1,874)	(228)	(2,102)	-	(2,102)
Accumulated depreciation of disposals			-	-	-	-	1	1	-	1
Depreciation on Non-Monetary Contributions			-	-	-	(3)	(49)	(52)	-	(52)
Revaluation increments			-	-	-	19,331	2,532	21,863	-	21,863
Transfers			-	-	-	-	-	-	-	-
			-	-	-	17,454	2,256	19,710	-	19,710
At fair value 30 June 2017		3,600	118,163	5,973	127,736	82,805	11,801	94,606	2,856	225,198
Accumulated depreciation at 30 June 2017		-	-	-	-	(15,853)	(2,600)	(18,453)	-	(18,453)
		3,600	118,163	5,973	127,736	66,952	9,201	76,153	2,856	206,745

**Note 23 Property, infrastructure, plant and equipment (cont'd)**

<b>Plant and Equipment</b>	<b>Note</b>	<b>Plant machinery and equipment</b>	<b>Fixtures fittings and furniture</b>	<b>Computers and telecommunications</b>	<b>Work in Progress</b>	<b>Total plant and equipment</b>
At fair value 1 July 2016		7,890	1,220	2,857	307	12,274
Accumulated depreciation at 1 July 2016		(3,101)	(521)	(2,248)	-	(5,870)
		4,789	699	609	307	6,404
<b>Movements in fair value</b>						
Acquisition of assets at fair value		1,109	37	129	116	1,391
Contributed assets		-	-	-	-	-
Revaluation increments/decrements		-	-	-	-	-
Fair value of assets disposed		(1,403)	-	(117)	-	(1,520)
Transfers		-	-	307	(307)	-
		(294)	37	319	(191)	(129)
<b>Movements in accumulated depreciation</b>						
Depreciation		(642)	(122)	(331)	-	(1,095)
Accumulated depreciation of disposals		849	-	114	-	963
Transfers		-	-	-	-	-
		207	(122)	(217)	-	(132)
At fair value 30 June 2017		7,596	1,257	3,176	116	12,145
Accumulated depreciation at 30 June 2017		(2,894)	(643)	(2,465)	-	(6,002)
		4,702	614	711	116	6,143

Note 23 Property, infrastructure, plant and equipment (cont'd)

Infrastructure	Note	Roads	Bridges	Footpaths and cycleways	Drainage and sewerage	Recreational, leisure and community	Parks open spaces and streetscapes	Off street car parks	Work in Progress	Total Infrastructure
At fair value 1 July 2016		238,198	6,171	25,621	67,178	17,493	13,711	5,650	3,201	377,223
Accumulated depreciation at 1 July 2016		(44,032)	(2,388)	(7,239)	(20,811)	(7,528)	(5,279)	(480)	-	(87,757)
		194,166	3,783	18,382	46,367	9,965	8,432	5,170	3,201	289,466
<b>Movements in fair value</b>										
Acquisition of assets at fair value		2,180	14	419	228	1,635	827	93	3,106	8,502
Contributed assets		5,832	-	787	1,995	-	303	262	-	9,179
Revaluation increments/(decrements)		(3,042)	122	-	-	-	-	(138)	-	(3,058)
Fair value of assets disposed		(2,206)	(16)	(193)	(152)	(870)	(326)	(17)	(260)	(4,040)
Transfers		1,474	(1,267)	377	230	1,212	488	122	(2,636)	-
		4,238	(1,147)	1,390	2,301	1,977	1,292	322	210	10,583
<b>Movements in accumulated depreciation</b>										
Depreciation		(4,466)	(66)	(419)	(849)	(1,093)	(786)	(119)	-	(7,798)
Revaluation increments/(decrements)		9,292	408	-	-	-	-	(318)	-	9,382
Accumulated depreciation of disposals		869	8	106	21	590	198	9	-	1,801
Transfers		(354)	374	-	(17)	(18)	20	(5)	-	-
		5,341	724	(313)	(845)	(521)	(568)	(433)	-	3,385
At fair value 30 June 2017		242,436	5,024	27,011	69,479	19,470	15,003	5,972	3,411	387,806
Accumulated depreciation at 30 June 2017		(38,691)	(1,664)	(7,552)	(21,656)	(8,049)	(5,847)	(913)	-	(84,372)
		203,745	3,360	19,459	47,823	11,421	9,156	5,059	3,411	303,434

**Note 23 Property, infrastructure, plant and equipment cont'd**

*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer, Opteon (Land as at 31 December 2016 and Buildings as at 31 March 2017). 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 Under Roads is valued at fair value using site values adjusted for englobo (undeveloped and/or unserviced) characteristics, access rights and private interests of other parties and entitlements of infrastructure assets and services. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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 2017 are as follows:

	Level 1	Level 2	Level 3 DoV
Land Under Roads - Specialised	-	-	3,600
Land - Specialised	-	-	118,412 31/12/2016
Land - Non Specialised	-	5,724	- 31/12/2016
Buildings - Specialised	-	-	66,952 31/12/2016
Buildings - Non Specialised	-	9,201	- 31/12/2016
<b>Total</b>	-	<b>14,925</b>	<b>188,964</b>

*Valuation of infrastructure*

Valuation of road and other structure assets has been determined in accordance with a valuation undertaken by independent valuer, Pavement Management Services and the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 30 June 2017. Valuation of other infrastructure assets has been determined in accordance with a valuation undertaken by the Strategic Asset Manager, Mr John Bertoldi B E (Civil) as at 30 June 2017. The last revaluation for roads, pavement and other structures occurred in 2016 and the last revaluation for drainage occurred in 2016.

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 2017 are as follows:

	Level 1	Level 2	Level 3 DoV
Roads	-	-	203,745 30/06/2017
Bridges	-	-	3,360 30/06/2017
Footpaths and cycleways	-	-	19,459 30/06/2016
Drainage and Sewerage	-	-	47,823 30/06/2016
Recreational, leisure and community facilities	-	-	11,421 30/06/2015
Parks, open space and streetscapes	-	-	9,156 30/06/2015
Off street car parks	-	-	5,059 30/06/2017
<b>Total</b>	-	-	<b>300,023</b>

Note 23 Property, infrastructure, plant and equipment cont'd	2017 \$'000	2016 \$'000
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*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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.27 and \$2,343 per metre squared.

**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 \$66 to \$13,907 per metre squared. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 5 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 0 years to 150 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

Land under roads	3,600	3,386
Parks and reserves	104,279	87,340
Public use	7,176	6,047
Waste	266	241
Car Parks	6,442	5,289
<b>Total specialised land</b>	<b>121,763</b>	<b>102,303</b>

	2017 \$'000	2016 \$'000
<b>Note 24 Trade and other payables</b>		
Trade payables	5,505	2,570
Accrued expenses	1,114	602
<b>Total trade and other payables</b>	<b>6,619</b>	<b>3,172</b>
<b>Note 25 Trust funds and deposits</b>		
Refundable deposits	1,703	1,495
Fire services levy	946	175
Other refundable deposits	2	2
<b>Total trust funds and deposits</b>	<b>2,651</b>	<b>1,672</b>

*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.



Note 26 Provisions

	Landfill restoration \$ '000	Employee entitlements \$ '000	Total \$ '000
<b>2017</b>			
Balance at beginning of the financial year	14,175	5,844	20,019
Additional provisions/(reduction in provisions)	(265)	2,599	2,334
Amounts used	(1,814)	(2,261)	(4,075)
Increase/(decrease) in the discounted amount arising because of time and the effect of any change in the discount rate	(587)	(15)	(602)
<b>Balance at the end of the financial year</b>	<b>11,509</b>	<b>6,167</b>	<b>17,676</b>
Weighted average discount rate in calculating the Landfill Provision	1.20%		
<b>2016</b>			
Balance at beginning of the financial year	14,669	5,446	20,115
Additional provisions/(reduction in provisions)	(1,338)	2,227	889
Amounts used	(68)	(1,904)	(1,972)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	912	75	987
<b>Balance at the end of the financial year</b>	<b>14,175</b>	<b>5,844</b>	<b>20,019</b>
Weighted average discount rate in calculating the Lanfill Provision	1.11%		
		<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>(a) Employee provisions</b>			
<b>Current provisions expected to be wholly settled within 12 months</b>			
Annual leave		1,608	1,532
Long service leave		617	509
		<b>2,225</b>	<b>2,041</b>
<b>Current provisions expected to be wholly settled after 12</b>			
Annual leave		350	320
Long service leave		2,785	2,654
		<b>3,135</b>	<b>2,974</b>
<b>Total current employee provisions</b>		<b>5,360</b>	<b>5,015</b>
<b>Non-current</b>			
Long service leave		807	829
Total non-current employee provisions		<b>807</b>	<b>829</b>
Aggregate carrying amount of employee provisions:			
Current		5,360	5,015
Non-current		807	829
<b>Total aggregate carrying amount of employee provisions</b>		<b>6,167</b>	<b>5,844</b>

Note 26 Provisions (cont'd)

	2017	2016
	\$'000	\$'000
<b>(b) Land fill restoration</b>		
Current	668	3,018
Non-current	10,841	11,157
<b>Total future Landfill rehabilitation provision</b>	<u>11,509</u>	<u>14,175</u>

Note 27 Interest-bearing loans and borrowings

<b>Current</b>		
Borrowings - secured (by Council's general rates)	667	621
Borrowings - unsecured	8	7
<b>Total Current</b>	<u>675</u>	<u>628</u>
<b>Non-current</b>		
Borrowings - secured (by Council's general rates)	14,235	14,902
Borrowings - unsecured	27	34
<b>Total Non-current</b>	<u>14,262</u>	<u>14,936</u>

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

Not later than one year	675	628
Later than one year and not later than five years	6,915	3,009
Later than five years	7,347	11,927
	<u>14,937</u>	<u>15,564</u>

Note 28 Other Liabilities

Home Care packages	137	85
<b>Total Current</b>	<u>137</u>	<u>85</u>

Note 29 Reserves

	Balance at beginning of reporting period	Increment/ (decrement)	Balance at end of reporting period
(a) Asset revaluation reserves	\$'000	\$'000	\$'000
<b>2017</b>			
<b>Property</b>			
Land	61,819	14,755	76,574
Buildings	12,004	23,772	35,776
	<u>73,823</u>	<u>38,527</u>	<u>112,350</u>
<b>Infrastructure</b>			
Furniture & Equipment	32	-	32
Roads	128,720	6,250	134,970
Bridges	2,137	530	2,667
Footpaths and cycleways	9,182	-	9,182
Drainage and sewerage	15,678	-	15,678
Recreational, leisure and community facilities	2,364	-	2,364
Parks, open space and streetscapes	1,472	-	1,472
Off street carparks	2,816	(456)	2,360
Library	125	-	125
	<u>162,526</u>	<u>6,324</u>	<u>168,850</u>
<b>Total asset revaluation reserves</b>	<b>236,349</b>	<b>44,851</b>	<b>281,200</b>
<b>2016</b>			
<b>Property</b>			
Land	61,819	-	61,819
Buildings	12,004	-	12,004
	<u>73,823</u>	<u>-</u>	<u>73,823</u>
<b>Infrastructure</b>			
Roads	72,157	56,563	128,720
Bridges	2,247	(110)	2,137
Carparks	1,417	1,399	2,816
Furniture & Equipment	32	-	32
Footpaths and cycleways	8,615	567	9,182
Drainage and sewerage	15,826	(148)	15,678
Recreational, leisure and community facilities	2,364	-	2,364
Parks, open space and streetscapes	1,472	-	1,472
Library	125	-	125
	<u>104,255</u>	<u>58,271</u>	<u>162,526</u>
<b>Total asset revaluation reserves</b>	<b>178,078</b>	<b>58,271</b>	<b>236,349</b>

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

Note 29 Reserves (cont)

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
<b>(b) Other reserves</b>				
<b>2017</b>				
<b>Restricted</b>				
Open space	817	152	(33)	936
Main drainage	216	9	(15)	210
Home Care Packages	85	52	-	137
Developer contributions	4,247	719	(2,825)	2,141
<i>Sub-total Restricted Reserves</i>	<i>5,365</i>	<i>932</i>	<i>(2,873)</i>	<i>3,424</i>
<b>Allocated</b>				
Plant replacement	949	1,215	(1,084)	1,080
Airey's Inlet aged care units	343	2	(45)	300
Waste	6,196	3,402	(5,276)	4,322
Gravel Pits	1,748	404	(492)	1,660
Defined benefits superannuation	474	250	-	724
Carried forward capital works	5,582	8,741	(5,582)	8,741
Carried forward new initiatives	770	1,592	(800)	1,562
Adopted strategy implementation	2,404	3,797	(1,852)	4,349
Asset renewal	357	6,583	(6,529)	411
Developer Contributions Council Allocation	920	2,117	(1,865)	1,172
Accumulated unallocated cash	3,664	3,476	(2,080)	5,060
<i>Sub-total Allocated Reserves</i>	<i>23,407</i>	<i>31,579</i>	<i>(25,605)</i>	<i>29,381</i>
<b>Total Other reserves</b>	<b>28,772</b>	<b>32,511</b>	<b>(28,478)</b>	<b>32,805</b>
<b>2016</b>				
<b>Restricted</b>				
Open space	1,411	119	(713)	817
Main drainage	216	-	-	216
Airey's Inlet units	338	5	-	343
Developer contributions	3,464	1,244	(461)	4,247
<i>Sub-total Restricted Reserves</i>	<i>5,429</i>	<i>1,368</i>	<i>(1,174)</i>	<i>5,623</i>
<b>Allocated</b>				
Plant replacement	1,078	-	(129)	949
Asset development	60	-	(60)	-
Waste	6,088	2,512	(2,404)	6,196
Gravel Pits	1,566	382	(200)	1,748
Defined benefits superannuation	274	200	-	474
Carried forward capital works	5,035	5,582	(5,035)	5,582
Carried forward new initiatives	1,108	770	(1,108)	770
Adopted strategy implementation	2,018	4,121	(3,735)	2,404
Asset renewal	68	326	(37)	357
Developer Contributions Council Allocation	-	920	-	920
Home Care Packages	-	85	-	85
Accumulated unallocated cash	1,049	3,308	(693)	3,664
<i>Sub-total Allocated Reserves</i>	<i>18,344</i>	<i>18,206</i>	<i>(13,401)</i>	<i>23,149</i>
<b>Total Other reserves</b>	<b>23,773</b>	<b>19,574</b>	<b>(14,575)</b>	<b>28,772</b>

**Note 29 Reserves (cont)**

**(b) Other reserves (cont)**

Councils restricted reserves are restricted by either an Act or contractual agreement that limits the use of funds. Councils allocated reserves contain funds that have been resolved by Council to be used in a particular manner.

The purpose of the Open Space reserve is to provide improved recreational facilities for the Surf Coast Shire, both of an active and passive nature. This reserve is for a restricted purpose per the Subdivision Act 1988

The purpose of the Main drainage reserve is to hold developer contributions for main drainage works at a later point than the initial development. They are tied to works within the catchment area from which funds were derived. This reserve is for a restricted purpose as per the Planning and Environment Act 1987

The purpose of the Airey's Inlet units reserve is as the funding source for the maintenance of social housing for disadvantaged low income earners. Four social housing units currently exist in Aireys Inlet. This reserve is for a restricted purpose as per the Housing Act 1983

The purpose of the Developer contributions reserve is to hold funds contributed by developers for specific works associated with subdivisions. Funds are contributed for infrastructure (footpaths, fencing, streetscapes etc) where it is deemed that these works should occur at a later point than the initial development. Funds are also held in this account for the Torquay/Jan Juc DCP. Funds collected are specifically identified for projects via s173 agreement or the Developer Contribution Plan

The purpose of the Plant replacement reserve is to establish a fund whereby Council's heavy plant can be replaced at the end of their useful lives. The changeover cost of small vehicles is also funded from this reserve.

The purpose of the Asset development reserve was to hold funds derived from the sale of Council land or buildings to ensure that they are applied to the creation of new Council assets or debt reduction and not used to enhance Council's operational outcomes. The balance of this reserve has been moved to the adopted strategy reserve during 15/16.

The purpose of the Waste reserve is to ensure that the full cost of the waste function is met by the waste charges (garbage charge and fee income from landfill) and that surpluses and deficits on an annual basis can be covered without any adverse impact on the balance of Council's budget.

The purpose of the Gravel pits reserve is to provide funding for road improvements for Council roads.

The purpose of the Defined benefits reserve is to reserve funds for future Defined Benefits Superannuation funding calls arising from shortfalls in the Local Government Defined Superannuation Benefits Fund

The purpose of the Carried forward capital works reserve is to act as a mechanism to carry over funding for capital works that are still in progress at year end.

The purpose of the Carry forward new initiatives reserve is to act as a mechanism to carry over funding for new initiatives that are still in progress at year end.

The purpose of the Adopted strategy reserve is to provide funding for projects in line with approved strategies adopted by Council and is funded from operations or grants received.

The purpose of the Asset renewal reserve is to provide funding based on the Asset Renewal Funding Strategy.

The purpose of the Developer contributions Council allocation reserve is to provide Council allocated funding based on the Torquay/Jan Juc Developer Plan

The purpose of the Home care packages reserve is to meet Council's obligation under new Commonwealth legislation to carry any unspent individual client funds into future periods.

The purpose of the Accumulated unallocated cash reserve is to separately identify Council's Unallocated Cash.

	2017 \$'000	2016 \$'000
<b>Note 30 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	16,972	15,715
Depreciation	10,994	10,629
Profit/(loss) on disposal of property, infrastructure, plant and equipment	2,115	1,405
Contributions - Non-monetary assets	(10,718)	(9,970)
Finance costs	1,077	1,122
Share of net profits/(losses) of Geelong Regional Library Corporation	80	43
Opening adjustment to accumulated surplus	-	(201)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(1,208)	1,436
(Increase)/decrease in prepayments	25	21
Increase/(decrease) in accrued income	67	(181)
Increase/(decrease) in trade and other payables	3,447	53
(Decrease)/increase in trust funds and deposits	979	350
(Increase)/decrease in inventories	(38)	55
Increase/(Decrease) in provisions	(2,343)	(96)
Increase/(Decrease) in other liabilities	52	85
Net cash provided by/(used in) operating activities	<u>21,501</u>	<u>20,466</u>
<b>Note 31 Financing arrangements</b>		
Bank overdraft	2,300	2,300
Credit card facilities	100	100
Borrowings	14,937	15,564
Total facilities	<u>17,337</u>	<u>17,964</u>
Used facilities	<u>(14,957)</u>	<u>(15,584)</u>
Unused facilities	<u>2,380</u>	<u>2,380</u>

**Note 32 Commitments**

The Council has entered into the following commitments

2017	Not later than 1 year \$'000	Later than 1 year	Later than 2 years	Later than 5 years \$'000	Total \$'000
		and not later than 2 years \$'000	and not later than 5 years \$'000		
<b>Operating</b>					
Garbage collection	3,095	3,071	2,724	-	8,890
Cleaning contracts for council buildings	512	-	-	-	512
Other	356	111	101	-	568
<b>Total</b>	<b>3,963</b>	<b>3,182</b>	<b>2,825</b>	<b>-</b>	<b>9,970</b>
<b>Capital</b>					
Construction	4,036	-	-	-	4,036
<b>Total</b>	<b>4,036</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,036</b>

2016	Not later than 1 year \$'000	Later than 1 year	Later than 2 years	Later than 5 years \$'000	Total \$'000
		and not later than 2 years \$'000	and not later than 5 years \$'000		
<b>Operating</b>					
Garbage collection	3,216	2,643	4,795	-	10,654
Cleaning contracts for council buildings	447	447	-	-	894
Other	316	70	9	-	395
<b>Total</b>	<b>3,979</b>	<b>3,160</b>	<b>4,804</b>	<b>-</b>	<b>11,943</b>
<b>Capital</b>					
Construction	961	-	-	-	961
<b>Total</b>	<b>961</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>961</b>

	2017	2016
	\$'000	\$'000
<b>Note 33 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
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	680	574
Later than one year and not later than five years	655	507
Later than five years	266	261
	<u>1,601</u>	<u>1,342</u>
<b>(b) Operating lease receivables</b>		
At the reporting date, the Council had the following lease receivables under non-cancellable operating leases for the lease of Council Land and Buildings.		
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	63	58
Later than one year and not later than five years	173	186
Later than five years	289	318
	<u>525</u>	<u>562</u>

**Note 34 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 2017, 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 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.0%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa  
Salary inflation 4.25% pa  
Price inflation (CPI) 2.5% pa.



**Note 34 Superannuation (cont'd)**

Vision Super has advised that the estimated VBI at June 2017 was 103.1%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2016 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

**Employer contributions**

**Regular contributions**

On the basis of the results of the 2016 interim 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 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the 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.

**2016 Interim actuarial investigation surplus amounts**

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Council is a contributing employer:

A VBI surplus of \$40.3 million; and  
A total service liability surplus of \$156 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 2016. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2016 VBI during August 2016.

**2017 Full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

**Future superannuation contributions**

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$55,913

**Note 35 Contingent liabilities and contingent assets**

**Contingent liabilities**

*Defined benefits*

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 34. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists. At this point in time it is not known if additional contributions will be required, their timing or potential amount.

*Aged Care Units*

Council has an obligation to re-purchase occupancy rights in respect of three aged care units. The rights must be re-purchased at a cost of 90% of the market value of the unit at the time the resident vacates the unit or deceases. At balance date the aggregate value of the obligation is estimated at \$565,979 (2015/16 \$687,550 for four units). The timing for re-purchase of these rights is uncertain.

*Landfill site rehabilitation*

Council operates a landfill at Anglesea. Council will have to carry out site rehabilitation works in the future. At balance date Council provided a Bank Guarantee to State of Victoria - Environment Protection Authority. The guarantee provides financial assurance up to \$545,000 for remedial action as defined in section 3.1 EPA Publication 777 Determination of financial assurance for Landfills, September 2001.

**Guarantees for loans to other entities**

Council has provided contract performance guarantees. The details and extent of Council exposure at the reporting date are as follows:

	2017	2016
	\$'000	\$'000
<i>Contract Performance:</i>		
Department of Minerals and Energy	20	20
Department of Energy and Resources	50	50
	<u>70</u>	<u>70</u>

The amount disclosed for financial guarantee in this note is the nominal amount of the underlying loan that is guaranteed by the Council, not the fair value of the financial guarantee

## Note 36 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 Note 1 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. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

### (c) Credit risk

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

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

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

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 35.

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.

**Note 36 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 a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and
- set limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 35, 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 27.

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

**e) Fair value**

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

*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.

**(f) Sensitivity disclosure analysis**

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

- A parallel shift of +0.25% and -0.25% in market interest rates (AUD) from year-end rates of 1.50%.

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.

	2017 No.
<b>Note 37 Related party disclosures</b>	
<b>(i) Key Management Personnel</b>	
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:	
<b>Councillors</b>	
Councillor Brian McKitterick - Mayor (8/11/2016 to current)	
Councillor Rose Hodge - Mayor (01/07/2016 to 22/10/2016)	
Councillor Margot Smith	
Councillor Clive Goldsworthy	
Councillor David Bell	
Councillor Heather Wellington	
Councillor Carol McGregor	
Councillor Libby Coker (03/11/2016 to current)	
Councillor Martin Duke (03/11/2016 to current)	
Councillor Eve Fisher (01/07/2016 to 22/10/2016)	
<b>Total Number of Councillors</b>	10
<b>Chief Executive Officer and other Key Management Personnel</b>	
Keith Baillie	
Anne Howard	
Chris Pike	
Kate Sullivan (01/07/2016 to 02/11/2016)	
Phil Rowland (02/11/2016 to 01/05/2017)	
Ransce Salan (01/05/2017 to current)	
<b>Total Number of Other Key Management Personnel</b>	6
<b>Total Key Management Personnel</b>	<u>16</u>
<b>(ii) Remuneration of Key Management Personnel</b>	<b>2017 \$,000</b>
Total remuneration of key management personnel was as follows:	
Short-term benefits	1,097
Post-employment benefits	77
Other Long-term benefits	19
Termination benefits	-
	<u>1,193</u>
The numbers of key management personnel whose total remuneration from Council and any related entities fall within the following bands :	
	<b>2017 No.</b>
\$1 - \$9,999	1
\$10,000 - \$19,999	2
\$20,000 - \$29,999	6
\$40,000 - \$49,999	1
\$60,000 - \$69,999	1
\$70,000 - \$79,999	1
\$110,000 - \$119,999	1
\$120,000 - \$129,999	-
\$200,000 - \$209,999	2
\$260,000 - \$269,999	-
\$280,000 - \$289,999	1
	<u>16</u>

**Note 37 Related party transactions (cont'd)**

(iv) **Transactions with related parties**

During the period Council entered into the following transactions with related parties. -

(v) **Outstanding balances with related parties**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties -

(vi) **Loans to/from related parties**

The aggregate amount of loans in existence at balance date that have been made, guaranteed or secured by the council to a related party as follows: -

(vii) **Commitments to/from related parties**

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party are as follows: -

**Note 38 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 \$142,000

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

	2017	2016
Income Range:	No.	No.
Less than \$142,000	1	2
\$142,000 - \$149,999	6	5
	7	7
Total Remuneration for the reporting year for Senior Officers included above, amounted to	975	1,003

**Note 39 Events occurring after balance date**

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

## **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.

*John Brockway CPA*  
**Principal Accounting Officer**

**Date :** 12 September 2017  
*Torquay*

In our opinion the accompanying financial statements present fairly the financial transactions of Surf Coast Shire Council for the year ended 30 June 2017 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.

*Margot Smith*  
**Councillor**

**Date :** 12 September 2017  
*Torquay*

*Clive Goldsworthy*  
**Councillor**

**Date :** 12 September 2017  
*Torquay*

*Keith Baillie*  
**Chief Executive Officer**

**Date :** 12 September 2017  
*Torquay*