

Nillumbik Shire Council Annual Financial Report For The Year Ended 30 June 2018



Nillumbik Shire Council
Financial Report
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Nillumbik Shire Council
Certification of the Financial Statements
For The Year Ended 30 June 2018

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.

Vincenzo Lombardi MBA CA
Principal Accounting Officer

Date :
GREENSBOROUGH

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

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

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

Peter Clarke (Mayor)
Councillor

Date :
GREENSBOROUGH

Karen Egan (Deputy Mayor)
Councillor

Date :
GREENSBOROUGH

Mark Stoermer
Chief Executive Officer

Date :
GREENSBOROUGH

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Nillumbik Shire Council
Comprehensive Income Statement
For The Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	63,131	62,811
Statutory fees and fines	2.2	1,558	1,506
User fees	2.3	8,961	9,628
Grants - operating	2.4	7,170	8,613
Grants - capital	2.4	4,138	5,742
Contributions - monetary	2.5	2,589	2,620
Contributions - non-monetary	2.5	5,100	372
Net gain on disposal of property, infrastructure, plant and equipment	2.6	1,351	-
Share of net profits/(losses) of associate	5.3	40	87
Other income	2.7	2,824	2,313
Total income		96,862	93,692
Expenses			
Employee costs	3.1	31,984	31,208
Materials and services	3.2	30,388	27,950
Depreciation	3.3	11,115	10,415
Bad and doubtful debts	3.4	53	4
Borrowing costs	3.5	812	885
Net loss on disposal of property, infrastructure, plant and equipment	2.6	-	896
Contributions to associate	5.3	2,694	2,690
Other expenses	3.6	3,264	3,722
Total expenses		80,310	77,770
Surplus/(deficit) for the year		16,552	15,922
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	8.1	158,981	-
Total comprehensive result		175,533	15,922

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

**Nillumbik Shire Council
Balance Sheet
As at 30 June 2018**

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	46,670	37,910
Trade and other receivables	4.1	8,032	8,046
Other financial assets	4.1	1,000	6,300
Inventories	4.2	22	23
Non-current assets classified as held for sale	5.1	5,158	3,000
Other assets	4.2	4,376	1,771
Total current assets		<u>65,258</u>	<u>57,050</u>
Non-current assets			
Trade and other receivables	4.1	550	830
Other financial assets	4.1	5	5
Investments in associate	5.3	1,597	1,557
Property, infrastructure, plant and equipment	5.2	921,851	753,235
Total non-current assets		<u>924,003</u>	<u>755,627</u>
Total assets		<u>989,261</u>	<u>812,677</u>
Liabilities			
Current liabilities			
Trade and other payables	4.3	8,904	5,490
Trust funds and deposits	4.3	1,648	1,509
Provisions	4.5	6,670	6,947
Interest-bearing loans and borrowings	4.4	2,121	2,203
Total current liabilities		<u>19,343</u>	<u>16,149</u>
Non-current liabilities			
Provisions	4.5	7,707	9,208
Interest-bearing loans and borrowings	4.4	10,615	11,257
Total non-current liabilities		<u>18,322</u>	<u>20,465</u>
Total liabilities		<u>37,665</u>	<u>36,614</u>
Net assets		<u>951,596</u>	<u>776,063</u>
Equity			
Accumulated surplus		388,337	373,053
Reserves	8.1	563,259	403,010
Total equity		<u>951,596</u>	<u>776,063</u>

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

Nillumbik Shire Council
Statement Of Changes In Equity
For The Year Ended 30 June 2018

	Note	Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
2018		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		776,063	373,053	365,651	37,359
Surplus/(deficit) for the year		16,552	16,552	-	-
Net asset revaluation increment/(decrement)	8.1	158,981	-	158,981	-
Transfers to other reserves	8.1	-	(25,553)	-	25,553
Transfers from other reserves	8.1	-	24,285	-	(24,285)
Balance at end of the financial year		951,596	388,337	524,632	38,627

		Total	Accumulated Surplus	Asset Revaluation Reserve	Other Reserves
2017		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		760,141	360,992	365,651	33,498
Surplus/(deficit) for the year		15,922	15,922	-	-
Net asset revaluation increment/(decrement)	8.1	-	-	-	-
Transfers to other reserves	8.1	-	(20,867)	-	20,867
Transfers from other reserves	8.1	-	17,006	-	(17,006)
Balance at end of the financial year		776,063	373,053	365,651	37,359

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

Nilumbik Shire Council
Statement Of Cash Flows
For The Year Ended 30 June 2018

	Note	2018 Inflows/ (Outflows) \$'000	2017 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		63,583	63,005
Statutory fees and fines		1,558	1,506
User fees*		6,722	9,797
Grants - operating*		7,442	8,782
Grants - capital*		4,410	5,911
Contributions - monetary*		2,861	2,789
Interest received		955	1,403
Trust funds and deposits taken		290	513
Other receipts		1,758	641
Net GST refund/(payment)		4,010	4,450
Employee costs		(32,406)	(31,048)
Materials and services*		(31,314)	(30,849)
Trust funds and deposits repaid		(12)	(239)
Other payments*		(7,048)	(8,401)
Net cash provided by/(used in) operating activities		22,809	28,258
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	5.2	(22,285)	(24,147)
Proceeds from sale of property, infrastructure, plant and equipment		5,472	1,607
Payments for investments		(1,000)	(6,300)
Proceeds from investments		5,300	7,000
Net cash provided by/(used in) investing activities		(12,513)	(21,840)
Cash flows from financing activities			
Finance costs		(812)	(885)
Proceeds from borrowings		-	-
Repayment of borrowings		(724)	(843)
Net cash provided by/(used in) financing activities		(1,536)	(1,728)
Net increase/(decrease) in cash and cash equivalents		8,760	4,690
Cash and cash equivalents at the beginning of the financial year		37,910	33,220
Cash and cash equivalents at the end of the financial year	4.1	46,670	37,910
Financing arrangements	4.6		
Restrictions on cash assets	4.1		

*GST Inclusive

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

Nillumbik Shire Council
Statement Of Capital Works
For The Year Ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Property			
Land		-	-
Land improvements		-	-
Playgrounds		-	-
Total land		<u>-</u>	<u>-</u>
Buildings		2,129	4,513
Buildings - heritage		-	-
Building improvements - disability access works		-	-
Total buildings		<u>2,129</u>	<u>4,513</u>
Total property		<u>2,129</u>	<u>4,513</u>
Plant and equipment			
Plant, machinery and equipment		642	878
Furniture, equipment and computers		109	-
Artwork		-	-
Total plant and equipment		<u>751</u>	<u>878</u>
Infrastructure			
Roads		2,272	4,506
Bridges		214	949
Footpaths and cycleways		2,375	817
Drainage		759	453
Recreational, leisure and community facilities		12,853	9,287
Waste management		1,065	1,016
Parks, open space and streetscapes		546	515
Traffic treatments		-	-
Other infrastructure		933	391
Total infrastructure		<u>21,017</u>	<u>17,934</u>
Total capital works expenditure		<u>23,897</u>	<u>23,325</u>
Represented by:			
New asset expenditure		622	1,662
Asset renewal expenditure		5,301	7,347
Asset expansion expenditure		1,992	1,762
Asset upgrade expenditure		15,982	12,554
Total capital works expenditure		<u>23,897</u>	<u>23,325</u>

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Introduction

The Nillumbik Shire Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate. Council's main office is located at Civic Drive, Greensborough, Victoria.

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

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 1 Performance against budget

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

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

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

1.1 Income and expenditure

	Budget	Actual	Variance	
	2018	2018	2018	
	\$'000	\$'000	\$'000	Ref
Income				
Rates and charges	62,733	63,131	398	
Statutory fees and fines	1,178	1,558	380	1
User fees	11,500	8,961	(2,539)	2
Grants - operating	6,094	7,170	1,076	3
Grants - capital	3,261	4,138	877	4
Contributions - monetary	520	2,589	2,069	5
Contributions - non monetary	-	5,100	5,100	6
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	-	1,351	1,351	7
Share of net profits/(losses) of associates and joint ventures	-	40	40	
Other income	1,493	2,824	1,331	8
Total income	86,779	96,862	10,083	
Expenses				
Employee costs	32,551	31,984	(567)	
Materials and services	26,842	30,388	3,546	9
Bad and doubtful debts	-	53	53	
Depreciation	10,095	11,115	1,020	10
Borrowing costs	820	812	(8)	
Contributions to associates	2,788	2,694	(94)	11
Other expenses	6,525	3,264	(3,261)	12
Total expenses	79,621	80,310	(689)	
Surplus/(deficit) for the year	7,158	16,552	9,394	

Nillumbik Shire Council

Note 1 Performance against budget (continued)

1.1 Income and expenditure (continued)

(i) Explanation of material variances

Ref	Explanation
1	Statutory fees and fines , variance due to increase in fines and permits issued for the year and penalties served on properties in the Shire.
2	User fees , variance attributable to Eltham Leisure Centre redevelopment, whereby the partial extended closure of the facility has impacted the utilisation for the period decrease in facility use.
3	Grants - operating , variance is due to Commonwealth Financial Assistance Grants received in advance. Additional grants not budgeted for were also received during the financial year.
4	Grants - capital , variance is due to grants budgeted in prior year received during the period.
5	Contributions - monetary , variance largely due to developer and capital works contributions received in excess of budget amounts.
6	Contributions - non-monetary , comprises of infrastructure assets, in particular drainage assets, that were transferred to Council during the period. Council does not budget for the receipt of non-monetary contributions.
7	Net gain on disposal of property , infrastructure, plant and equipment, losses on disposal of plant, infrastructure and equipment are not budgeted for.
8	Other income , variance is driven by an increase in interest income attributable to an increase in funds invested. Items of an unexpected nature were also received including WorkCover and insurance refunds and non-voter fines received during the financial year.
9	Materials and services , variance is largely due to classification of insurance premiums. For budgeting purposes insurance premiums are categorised as other expenses, but are allocated to the materials and services category in the income statement.
10	Depreciation , variance is driven by the capitalisation of newly completed assets.
11	Contributions to associates , reflective of the contributions agreed upon by the board of the Yarra Plenty Regional Library Service.
12	Other expenses , variations due to underspends on utilities and lease costs. This is further compounded by insurance premiums budgeted as other expenses, but classified as materials and services in the income statement.

Nilumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 1 Performance against budget (continued)

1.2 Capital Works	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Property				
Land	-	-	-	
Playgrounds	-	-	-	
Land improvements	-	-	-	
Total land	-	-	-	
Buildings	3,739	2,129	(1,610)	1
Buildings - heritage	-	-	-	
Building improvements	-	-	-	
Total buildings	3,739	2,129	(1,610)	
Total property	3,739	2,129	(1,610)	
Plant and equipment				
Plant, machinery and equipment	1,871	642	(1,229)	2
Fixtures, fittings and furniture	-	109	109	
Computers and telecommunications	-	-	-	
Artwork	-	-	-	
Total plant and equipment	1,871	751	(1,120)	
Infrastructure				
Roads	2,164	3,673	1,509	3
Bridges	1,014	214	(800)	4
Footpaths, trails and cycleways	790	974	184	5
Drainage	625	759	134	
Recreational, leisure and community facilities	7,878	12,853	4,975	6
Kerb and channel	-	-	-	
Waste management	853	1,065	212	
Parks, open space and streetscapes	1,739	546	(1,193)	7
Traffic treatments	-	-	-	
Other infrastructure	668	933	265	
Total infrastructure	15,731	21,017	5,286	
Total capital works expenditure	21,341	23,897	2,556	
Represented by:				
New asset expenditure	2,920	622	(2,298)	
Asset renewal expenditure	6,556	5,301	(1,255)	
Asset expansion expenditure	2,947	1,992	(955)	
Asset upgrade expenditure	8,918	15,982	7,064	
Total capital works expenditure	21,341	23,897	2,556	

Note 1 Performance against budget (continued)

1.2 Capital works (continued)

(i) Explanation of material variances

Ref	Explanation
1	Buildings , variance due to anticipated land purchases which were budgeted for, that did not take place during the period.
2	Plant, machinery and equipment , variance due to a reduction in fleet vehicles and further compounded by a delay in budgeted spend.
3	Roads , variance driven by works at Collard Drive, Herberts Lane and the Civic Drive precinct and the Hillmartin Lane special charge scheme works completed during the period, budgeted for in the prior year.
4	Bridges , variance largely driven by the Gibson Street bridge rehabilitation works, which will be completed in the 2018-19 financial year.
5	Footpaths, trails and cycleways , variance due to works undertaken in 2017-18 that were budgeted for in 2016-17.
6	Recreation, Leisure and Community , variance due to Eltham Leisure Centre works carried forward from prior years, offset by works carried forward to 2018-19 on Research Park Sports Pavilion, Wattleglen Soccer Facilities and Diamond Valley Sports and Recreation Centre.
7	Parks, open space and streetscapes , variance due to works on open space, including Civic Drive precinct, carried forward to 2018-19.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 2 Funding for the delivery of our services	2018	2017
	\$'000	\$'000

2.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The Capital Improved Value of a property is the market value of land and all improvements at a given point in time.

The valuation base used to calculate general rates for 2017-18 was \$15.99 billion (2016-17 \$15.85 billion). The rate in the dollar for each type of rate to be levied was:

General rates	51,820	51,412
Municipal charge	2,238	2,228
Waste management charge	8,329	8,257
Special rates and charges	188	290
Supplementary rates and rate adjustments	103	189
Interest on rates	453	435
Total rates and charges	63,131	62,811

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

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

2.2 Statutory fees and fines

Infringements and costs	469	580
Court recoveries	15	34
Town planning fees	769	577
Land information certificates	42	45
Animal infringements	56	83
Permits	207	187
Total statutory fees and fines	1,558	1,506

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

2.3 User fees

Aged services	184	227
Leisure centre and recreation	5,204	5,997
Child care/children's programs	355	320
Registration and other permits	737	705
Building services	27	28
Waste management services	580	613
Subdivision supervision	283	189
Pound release	48	51
Adult education	353	381
Edendale farm	280	259
Environmental health	245	260
Hall and sport ground hire	493	381
Other fees and charges	172	217
Total user fees	8,961	9,628

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 2 Funding for the delivery of our services (continued)	2018	2017
	\$'000	\$'000
2.4 Funding from other levels of government		
Grants were received in respect of the following:		
Summary of grants		
Commonwealth funded grants	5,691	5,647
State funded grants	5,617	8,708
Total grants received	11,308	14,355
(a) Operating Grants		
Recurrent - Commonwealth Government		
Aged care	1,054	-
Community health	8	-
Community planning	50	-
Family and children	97	-
Commonwealth Financial Assistance Grants	3,066	4,732
Other	5	-
Recurrent - State Government		
Adult education	514	433
Aged care, senior citizens centres	-	1,567
Arts	2	-
Community health	61	82
Community planning	14	100
Disability support	427	-
Economic development	-	15
Environment	15	45
Family and children	666	725
Metro access	139	133
Recreation	10	15
School crossing supervisors	226	153
Waste	57	-
Total recurrent operating grants	6,411	8,000
Non-recurrent - State Government		
Adult education	40	-
Community planning	53	51
Emergency management	115	122
Environment	379	287
Family and children	95	108
Planning	5	12
Recreation	-	17
Waste	-	9
Other	72	7
Total non-recurrent operating grants	759	613
Total operating grants	7,170	8,613

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 2 Funding for the delivery of our services (continued)	2018	2017
	\$'000	\$'000
2.4 Funding from other levels of government (continued)		
(b) Capital Grants		
<i>Non-recurrent - Commonwealth Government</i>		
Playgrounds	-	-
Recreation	-	-
Bridges	683	749
Roads	328	52
Roads to recovery	400	114
<i>Non-recurrent - State Government</i>		
Buildings	-	63
Community facilities	-	950
Community planning	-	-
Emergency management	35	25
Environment	2	500
Family and children	-	-
Footpaths	-	30
Playgrounds	50	29
Recreation	2,640	2,710
Roads	-	520
Total non-recurrent capital grants	4,138	5,742
Total capital grants	4,138	5,742
Unspent grants received on condition that they be spend in a specific manner		
Balance at start of year	2,167	5,767
Received during the financial year and remained unspent at balance date	5,772	3,785
Received in prior years and spent during the financial year	(2,162)	(7,385)
Balance at year end	5,777	2,167

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

2.5 Contributions

Monetary	2,589	2,620
Non-monetary	5,100	372
Total contributions	7,689	2,992

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

Infrastructure	5,100	372
Total non-monetary contributions	5,100	372

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

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

Proceeds of sale	5,473	1,608
Written down value of assets disposed	(4,122)	(2,504)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	1,351	(896)

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 2 Funding for the delivery of our services (continued)	2018	2017
	\$'000	\$'000
2.7 Other income		
Interest	955	968
Other rent	319	301
Reimbursements	778	152
Sale of valuations	18	195
WorkCover insurance recoveries	168	173
Planning	57	74
Other	529	450
Total other income	2,824	2,313

Interest is recognised as it is earned.

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

Note 3 The cost of delivering services

3.1 Employee costs

Wages and salaries	28,912	27,516
WorkCover	317	490
Superannuation	2,437	2,545
Fringe benefits tax	136	219
Other	182	438
Total employee costs	31,984	31,208

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to <i>Local Authorities Superannuation Fund (Vision Super)</i>	129	209
Employer contributions - other funds	-	-
	<u>129</u>	<u>209</u>
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to <i>Local Authorities Superannuation Fund (Vision Super)</i>	1,531	1,489
Employer contributions - other funds	906	847
	<u>2,437</u>	<u>2,336</u>
Employer contributions payable at reporting date.	<u>98</u>	<u>65</u>

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

Employee benefits disclosed in the comprehensive income statement are marginally lower than those disclosed within the cash flow statement, reflecting the movement in the employee benefits provision during the financial year.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 3 The cost of delivering services (continued)	2018	2017
	\$'000	\$'000
3.2 Materials and services		
Contract payments	11,535	10,816
Building maintenance	296	277
Materials, maintenance and equipment	9,544	8,495
Utilities	1,113	888
Office administration	817	949
Information technology and telephone	1,765	1,788
Insurance premiums	967	878
Consultants	2,428	2,028
Emergency management	309	383
Waste management	1,266	1,107
Other	348	341
Total materials and services	<u>30,388</u>	<u>27,950</u>
3.3 Depreciation		
Property	114	112
Buildings	1,220	1,301
Plant and equipment	1,028	1,102
Infrastructure	8,753	7,900
Total depreciation	<u>11,115</u>	<u>10,415</u>
<i>Refer to note 5.2 for a detailed breakdown of depreciation</i>		
3.4 Bad and doubtful debts		
Parking fine debtors*	52	3
Bad debts	1	1
Total bad and doubtful debts	<u>53</u>	<u>4</u>
* Bad and doubtful debts for parking debtors relate to provisions raised regarding amounts in excess of 12 months old which have been referred to Infringements Court for collection plus associated costs.		
Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.		
3.5 Borrowing costs		
Interest on borrowings	812	885
Total borrowing costs	<u>812</u>	<u>885</u>
Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council.		
3.6 Other expenses		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement	62	71
Auditors' remuneration - internal and grant acquittals	99	86
Councillors' allowances	244	234
Operating lease rentals	951	900
Assets written off/ impaired	-	-
Other	1,908	2,431
Total other expenses	<u>3,264</u>	<u>3,722</u>

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position	2018	2017
	\$'000	\$'000
4.1 Financial Assets		
(a) Cash and cash equivalents		
Cash on hand	7	7
Cash at bank	3,278	903
Term deposits	43,385	37,000
Total cash and cash equivalents	46,670	37,910
(b) Other financial assets		
Current		
Term deposits	1,000	6,300
Non-current		
Investment - MAPS	5	5
Total other financial assets	1,005	6,305
Total financial assets	47,675	44,215
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use, these include:		
Trust funds and deposits (note 4.3)	1,648	1,509
Net increase/(decrease) in restricted assets resulting from grant revenues	5,777	2,167
Statutory cash backed and capital works reserves	29,065	25,553
Total restricted funds	36,490	29,229
Total unrestricted cash and cash equivalents	10,180	8,681
Intended allocations		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Cash held to fund long service leave (other financial assets)	5,300	5,300

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

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

Investments in MAPS and the Local Government Health Plan are valued at cost. Any dividends paid are taken up as revenue.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position (continued)	2018	2017
	\$'000	\$'000
4.1 Financial Assets (continued)		
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	5,821	5,882
Special charge scheme debtors	674	793
Parking infringement debtors	541	516
Provision for doubtful debts - parking infringements	(342)	(290)
<i>Non-statutory receivables</i>		
Other debtors	694	659
Net GST receivable	644	486
Total current trade and other receivables	<u>8,032</u>	<u>8,046</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	550	830
Total non-current trade and other receivables	<u>550</u>	<u>830</u>
Total trade and other receivables	<u>8,582</u>	<u>8,876</u>

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

a) Ageing of Receivables

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

Current (not yet due)	1,281	1,053
Past due by up to 30 days	21	22
Past due between 31 and 180 days	1	7
Past due between 181 and 365 days	-	36
Past due by more than 1 year	35	27
Total trade & other receivables	<u>1,338</u>	<u>1,145</u>

b) Movement in provisions for doubtful debts

Balance at the beginning of the year	290	287
New provisions recognised during the year	53	4
Amounts already provided for and written off as uncollectible	(1)	(1)
Balance at end of year	<u>342</u>	<u>290</u>

4.2 Non-financial assets

(a) Inventories

Fuel	22	23
Total inventories	<u>22</u>	<u>23</u>

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.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position (continued)	2018 \$'000	2017 \$'000
4.2 Non-financial assets		
(b) Other assets		
Current		
Prepayments	1,699	1,605
Accrued income	2,677	166
Total current other assets	<u>4,376</u>	<u>1,771</u>
4.3 Payables		
(a) Trade and other payables		
Trade payables	2,663	2,043
Accrued expenses	6,176	3,420
Prepaid income	65	27
Net GST payable	-	-
Total trade and other payables	<u>8,904</u>	<u>5,490</u>
(b) Trust funds and deposits		
Refundable deposits	337	266
Fire services levy	-	-
Retention amounts	525	469
Other refundable deposits	786	774
	<u>1,648</u>	<u>1,509</u>

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

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

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, after each instalment date. Amounts disclosed here will be remitted to the state government in line with that process.

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

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 4 Our Financial Position (continued)	2018	2017
	\$'000	\$'000
4.4 Interest-bearing liabilities		
Current		
Borrowings - secured	2,121	2,203
	<u>2,121</u>	<u>2,203</u>
Non-current		
Borrowings - secured	10,615	11,257
	<u>10,615</u>	<u>11,257</u>
Total	<u>12,736</u>	<u>13,460</u>
a) The maturity profile for Council's borrowings is:		
Not later than one year	2,121	2,203
Later than one year and not later than five years	5,792	7,084
Later than five years	4,823	4,173
Total	<u>12,736</u>	<u>13,460</u>

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

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

All borrowings taken out by Council can be secured through two avenues, against Council's fixed asset portfolio or the rates levied by Council. The overall balance of secured borrowings accounts for 0.138 percent of the total fixed asset portfolio, or 24 percent of general rates and municipal charge levied in the 2017-18 financial year.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position (continued)

4.5 Provisions	Employee \$ '000	Landfill \$ '000	Total \$ '000
2018			
Balance at beginning of the financial year	7,661	8,494	16,155
Additional provisions	3,027	-	3,027
Amounts used	(3,449)	-	(3,449)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(1,356)	(1,356)
Balance at the end of the financial year	7,239	7,138	14,377
2017			
Balance at beginning of the financial year	7,501	8,507	16,008
Additional provisions	3,417	-	3,417
Amounts used	(3,257)	-	(3,257)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	(13)	(13)
Balance at the end of the financial year	7,661	8,494	16,155
		2018	2017
		\$'000	\$'000
(a) Employee provisions			
Current provisions expected to be wholly settled within 12 months			
Redundancies		-	422
Annual leave		718	681
Long service leave		899	892
		<u>1,617</u>	<u>1,995</u>
Current provisions expected to be wholly settled after 12 months			
Annual leave		1,458	1,382
Long service leave		3,595	3,570
		<u>5,053</u>	<u>4,952</u>
Total current provisions		6,670	6,947
Non-current			
Long service leave		569	714
Total non-current provisions		569	714
Aggregate carrying amount of employee provisions			
Current		6,670	6,947
Non-current		569	714
Total aggregate carrying amount of employee provisions		7,239	7,661

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 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.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position (continued)

4.5 Provisions (continued)

(a) Employee provisions (continued)

Long service leave

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

Key assumptions:

- Weighted average increase in employee costs	3.70%	3.10%
- Weighted average discount rates	2.31%	2.20%

2018	2017
\$'000	\$'000

(b) Land fill restoration

Current	-	-
Non-current	7,138	8,494
Total land fill restoration	7,138	8,494

Council is obligated to restore the former landfill sites at Plenty and Kangaroo Ground to a particular standard. The provision for landfill restoration has been calculated based on the present value of 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 as reviewed by the Environmental Protection Agency (EPA). Accordingly, the estimation of the provision required is dependent on the accuracy of the forecast timing of the work, work required and related costs.

Key assumptions:

- Discount rate	2.65%	2.61%
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2018	2017
\$'000	\$'000

- Estimated cost to rehabilitate (per contract)	9,913	9,913
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The estimated cost to rehabilitate both landfill sites reflects the contracted rehabilitation cost of the Plenty Landfill site, with the same costing assumed for Kangaroo Ground based on all known rehabilitation requirements. Rehabilitation of both landfill sites is underpinned by EPA requirements which are reflected in rehabilitation contract.

(c) Aggregate carrying amount of provisions

Current	6,670	6,947
Non-current	7,707	9,208
Total	14,377	16,155

4.6 Financing arrangements

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

Bank overdraft and drawdown available	-	-
Credit card facilities	153	153
Other facilities	-	-
Total facilities	153	153
Used facilities	32	21
Unused facilities	121	132
Total	153	153

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 4 Our Financial Position (continued)

4.7 Commitments

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

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2018	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Buildings	12	-	-	-	
Business and tourism	8	-	-	-	
Community	1,091	103	-	-	1,194
Fleet	1,005	715	582	-	2,302
Infrastructure maintenance	599	651	37	-	1,287
Integrated strategy	122	-	-	-	
Open space	312	-	-	-	
Organisational support	555	370	601	-	1,526
Sport and leisure	255	251	-	-	506
Waste	106	33	-	-	139
Total	4,065	2,123	1,220	-	6,954
Capital					
Land	3,570	-	-	-	3,570
Buildings	9,178	433	26	9	9,646
Plant and equipment	-	-	-	-	-
Infrastructure	1,257	-	-	-	1,257
Total	14,005	433	26	9	14,473
	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
2017	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Community programs	1,017	855	-	-	1,872
Economic development	51	-	-	-	51
Environment	10	10	10	-	30
Fleet	305	153	-	-	458
Infrastructure maintenance	329	457	352	-	1,138
Organisational support	762	370	358	-	1,490
Sport and leisure	1,361	188	197	-	1,746
Waste	33	33	33	-	99
Total	3,868	2,066	950	-	6,884
Capital					
Land	2,671	1,315	-	-	3,986
Buildings	13,454	15	-	-	13,469
Plant and equipment	-	-	-	-	-
Infrastructure	221	-	-	-	221
Total	16,346	1,330	-	-	17,676

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 4 Our Financial Position (continued)	2018 \$'000	2017 \$'000
4.7 Commitments (continued)		
Operating lease commitments		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	688	816
Later than one year and not later than five years	1,006	1,371
Later than five years	92	246
	1,786	2,433

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

Note 5 Assets we manage

5.1 Non current assets classified as held for sale

Opening balance	3,000	3,172
Written down value of non-current assets classified as held for sale - sold	-	(810)
Transfers out to Property (Land - non-specialised)	-	(2,362)
Transfers in from Property (Land - non-specialised)	2,158	3,000
Total non-current assets classified as held for resale	5,158	3,000

Non-current assets classified as held for sale (including disposal groups) are measured at the lower of its carrying amount and fair value less costs to sell, 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.

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At fair value 30 June 2017	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At fair value 30 June 2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land	297,495	370	-	130,562	(114)	(2,920)	(2,158)	423,235
Buildings	41,971	1,487	-	(10,037)	(1,220)	-	3,807	36,008
Plant and equipment	6,456	936	-	-	(1,028)	(347)	-	6,017
Infrastructure	387,576	6,742	5,100	38,456	(8,753)	(855)	4,259	432,525
Work in progress	19,737	13,600	-	-	-	(7)	(9,264)	24,066
Total	753,235	23,135	5,100	158,981	(11,115)	(4,129)	(3,356)	921,851

Summary of work in progress

	Opening WIP	Additions	Write Offs	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Land	4,522	504	-	(3,012)	2,014
Buildings	6,309	1,525	-	(5,315)	2,519
Plant and equipment	-	-	-	-	-
Infrastructure	8,906	11,571	(7)	(937)	19,533
Total	19,737	13,600	(7)	(9,264)	24,066

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 5 Assets we manage (continued)

<i>Asset recognition thresholds and depreciation periods</i>	Useful life	Threshold
	Years	\$
Property		
Land	Indefinite	Nil
Playgrounds	10-15	1,000
Land improvements	50	5,000
Buildings	50-100	5,000
Plant and Equipment		
Plant and machinery	6-7	1,000
Motor vehicles	6-7	Nil
Furniture, fittings and computers	6-7	1,000
Artwork	100	500
Infrastructure		
Road surface	12-30	5,000
Road pavement	50-80	5,000
Road formation and earthworks	-	5,000
Road kerb, channel and minor culverts	50	5,000
Traffic treatments/ calming	5-50	5,000
Major bridge culverts	50-100	5,000
Bridges - concrete/steel	100	5,000
Bridges - timber	50	5,000
Footpaths, trails and cycleways	10-50	5,000
Drainage	50-100	5,000
Waste management	5-15	1,000
Guard fence	10	1,000
Fire hydrants	50	1,000
Bus shelters	20	1,000
Reserves furniture	17	1,000
Water treatment devices	15-20	5,000

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

(a) Property

	Land - specialised \$'000	Land - non-specialised \$'000	Land improvements \$'000	Total land \$'000	Buildings - heritage \$'000	Buildings - specialised \$'000	Buildings - non-specialised \$'000	Total buildings \$'000	Work in progress \$'000	Total property \$'000
Land and buildings										
At fair value 1 July 2017	180	291,991	5,662	297,833	13,481	59,159	289	72,929	10,831	381,593
At deemed cost	320	-	-	320	-	-	-	-	-	320
At anticipated restoration cost	11,401	-	-	11,401	-	-	-	-	-	11,401
Accumulated depreciation at 1 July 2017	(11,401)	-	(658)	(12,059)	(6,390)	(24,320)	(248)	(30,958)	-	(43,017)
	500	291,991	5,004	297,495	7,091	34,839	41	41,971	10,831	350,297
Movements in fair value										
Acquisition of assets at fair value	-	298	72	370	-	1,487	-	1,487	2,029	3,886
Revaluation increments/(decrements)	1,204	129,358	-	130,562	(3,189)	(5,246)	24	(8,411)	-	122,151
Fair value of assets disposed	-	(2,920)	-	(2,920)	-	-	-	-	-	(2,920)
Transfers	-	(2,158)	-	(2,158)	-	3,807	-	3,807	(8,327)	(6,678)
	1,204	124,578	72	125,854	(3,189)	48	24	(3,117)	(6,298)	116,439
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	(114)	(114)	(107)	(1,110)	(3)	(1,220)	-	(1,334)
Revaluation increments/(decrements)	-	-	-	-	2,603	(4,208)	(21)	(1,626)	-	(1,626)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	-	-	(114)	(114)	2,496	(5,318)	(24)	(2,846)	-	(2,960)
Land and buildings										
At fair value 30 June 2018	1,704	416,569	5,734	424,007	10,292	59,207	313	69,812	4,533	498,352
At anticipated restoration cost	11,401	-	-	11,401	-	-	-	-	-	11,401
Accumulated depreciation at 30 June 2018	(11,401)	-	(772)	(12,173)	(3,894)	(29,638)	(272)	(33,804)	-	(45,977)
	1,704	416,569	4,962	423,235	6,398	29,569	41	36,008	4,533	463,776

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

(b) Plant and equipment

	Plant machinery, equipment and motor vehicles	Fixtures, fittings and furniture	Computers and telecomms	Artwork	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment					
At fair value 1 July 2017	9,531	2,209	2,256	2,432	16,428
Accumulated depreciation at 1 July 2017	(6,053)	(1,911)	(2,008)	-	(9,972)
	<u>3,478</u>	<u>298</u>	<u>248</u>	<u>2,432</u>	<u>6,456</u>
Movements in fair value					
Acquisition of assets at fair value	640	52	201	43	936
Contributed assets	-	-	-	-	-
Fair value of assets disposed	(1,209)	-	(281)	-	(1,490)
Impairment losses recognised in operating result	-	-	-	-	-
	<u>(569)</u>	<u>52</u>	<u>(80)</u>	<u>43</u>	<u>(554)</u>
Movements in accumulated depreciation					
Depreciation and amortisation	(807)	(139)	(82)	-	(1,028)
Revaluation increments/(decrements)	-	-	-	-	-
Accumulated depreciation of disposals	862	-	281	-	1,143
Impairment losses recognised in operating result	-	-	-	-	-
	<u>55</u>	<u>(139)</u>	<u>199</u>	<u>-</u>	<u>115</u>
Plant and equipment					
At fair value 30 June 2018	8,962	2,261	2,176	2,475	15,874
Accumulated depreciation at 30 June 2018	(5,998)	(2,050)	(1,809)	-	(9,857)
	<u>2,964</u>	<u>211</u>	<u>367</u>	<u>2,475</u>	<u>6,017</u>

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

(c) Infrastructure

	Roads	Bridges	Footpaths, trails and cycleways	Drainage	Recreational, leisure and community	Kerb and channel	Waste management	Parks, open spaces and streetscapes	Other infrastructure	Work in progress	Total infrastructure
Infrastructure	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2017	261,243	15,096	26,755	124,950	60,073	24,800	1,287	11,342	10,732	8,906	545,184
Accumulated depreciation at 1 July 2017	(43,843)	(5,185)	(10,670)	(41,885)	(27,786)	(8,283)	(1,116)	(3,160)	(6,774)	-	(148,702)
	217,400	9,911	16,085	83,065	32,287	16,517	171	8,182	3,958	8,906	396,482
Movements in fair value											
Acquisition of assets at fair value	2,639	202	1,345	758	1,046	68	-	515	169	11,571	18,313
Contributed assets	129	-	80	4,863	-	28	-	-	-	-	5,100
Revaluation increments/(decrements)	(6,043)	(602)	(1,701)	-	55,684	534	-	(50)	-	-	47,822
Fair value of assets disposed	(967)	-	(12)	-	-	(3)	-	(429)	-	(7)	(1,418)
Transfers	2,664	784	292	-	440	-	-	39	40	(937)	3,322
	(1,578)	384	4	5,621	57,170	627	-	75	209	10,627	73,139
Movements in accumulated depreciation											
Depreciation and amortisation	(2,883)	(173)	(878)	(1,390)	(2,049)	(525)	(86)	(374)	(395)	-	(8,753)
Revaluation increments/(decrements)	5,195	102	(277)	1,959	(15,995)	(368)	-	18	-	-	(9,366)
Accumulated depreciation of disposals	181	-	3	-	-	1	-	371	-	-	556
Transfers	-	-	-	-	-	-	-	-	-	-	-
	2,493	(71)	(1,152)	569	(18,044)	(892)	(86)	15	(395)	-	(17,563)
Infrastructure											
At fair value 30 June 2018	259,665	15,480	26,759	130,571	117,243	25,427	1,287	11,417	10,941	19,533	618,323
Accumulated depreciation at 30 June 2018	(41,350)	(5,256)	(11,822)	(41,316)	(45,830)	(9,175)	(1,202)	(3,145)	(7,169)	-	(166,265)
	218,315	10,224	14,937	89,255	71,413	16,252	85	8,272	3,772	19,533	452,058

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

Acquisition

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

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

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

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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.

Artworks are not depreciated.

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

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

Repairs and maintenance

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.

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer, Ms B Stephen of Matheson Stephen Valuations, valuer registration no. 63034. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

Specialised land is valued at fair value using site values adjusted for englobo (undeveloped and/or unserved) 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. These unobservable inputs are not significant to the entire measurement.

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

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

	Level 1	Level 2	Level 3	DoV
	\$'000	\$'000	\$'000	
Land - specialised	-	1,704	-	Jun-18
Land - non-specialised	-	416,569	-	Jun-18
Land improvements	-	-	4,962	Jun-18
Buildings - heritage	-	-	6,398	Jun-18
Buildings - specialised	-	-	29,569	Jun-18
Buildings - non-specialised	-	-	41	Jun-18
Total	-	418,273	40,970	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Director Sustainability and Place Mr Hjalmar Philipp, Bachelor of Engineering (Civil), Graduate Diploma in Municipal Engineering, and MBA (Technology Management).

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

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

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

	Level 1	Level 2	Level 3	DoV
	\$'000	\$'000	\$'000	
Roads	-	-	218,315	Jun-18
Bridges	-	-	10,224	Jun-18
Footpaths and cycleways	-	-	14,937	Jun-18
Drainage	-	-	89,255	Jun-18
Recreational, leisure and community	-	-	71,413	Jun-18
Kerb and channel	-	-	16,252	Jun-18
Waste management	-	-	85	Jun-18
Parks, open spaces and streetscapes	-	-	8,272	Jun-18
Other infrastructure	-	-	3,772	Jun-18
Total	-	-	432,525	

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 5 Assets we manage (continued)

5.2 Property, infrastructure, plant and equipment (continued)

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

Land held at anticipated restoration cost, being the Plenty and Kangaroo Ground landfill sites, is recognised at cost to restore the site to the standard set out by the EPA and all applicable regulations.

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 \$230 to \$3,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 50 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 1 year 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 infrastructure assets are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2018	2017
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	1,704	500
Land held at anticipated restoration cost (Plenty / Kangaroo Ground Landfill Closure)	11,401	11,401
Less: accumulated depreciation	(11,401)	(11,401)
Total specialised land	1,704	500

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 5 Assets we manage (continued)	2018	2017
	\$'000	\$'000
5.3 Investment in associate		
Investments in associate accounted for by the equity method is:		
- Yarra Plenty Regional Library Service	1,597	1,557
 Yarra Plenty Regional Library Service		
<i>Background</i>		
The Yarra Plenty Regional Library Service consists of nine locations and a mobile library service. Responsibility for the provision and management of the Library Service rests with the Regional Library Board, which comprises of two representatives from each of the three member councils. The Regional Library service operates as an independent legal entity and is audited annually by the Auditor General.		
Council's investment in the Yarra Plenty Regional Library Service was increased by \$39,619 (increase of \$86,524 in 2016/17) due to the increase in the net assets position of the Corporation (audited at 30 June 2018). Council's equity interest based on contributions is 21.07 percent.		
 Fair value of Council's investment in Yarra Plenty Regional Library Service	<u>1,597</u>	<u>1,557</u>
 Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	654	567
Share of net profits/(losses) of associate	148	87
Council's share of accumulated surplus/(deficit) at end of year	<u>802</u>	<u>654</u>
 Movement in carrying value of specific investment		
Carrying value of investment at start of year	1,557	1,470
Share of surplus/(deficit) for year	40	87
Carrying value of investment at end of year	<u>1,597</u>	<u>1,557</u>
 Council's share of expenditure commitments		
Operating commitments	74	81
Capital commitments	65	110
Council's share of expenditure commitments	<u>139</u>	<u>191</u>
 Council's share of contingent liabilities and contingent assets	<u>-</u>	<u>-</u>
 Yarra Plenty Regional Library Service Contributions		
Contributions to associate	<u>2,694</u>	<u>2,690</u>

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.

Council is not involved in any joint arrangements at balance date.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 6 People and relationships	2018	2017
	<i>No.</i>	<i>No.</i>
6.1 Council and key management remuneration		
(a) Related parties		
<i>Subsidiaries and associates</i>		
Interests in subsidiaries and associates are detailed in note 5.3.		
(b) Key management personnel		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
Councillors		
Cr Peter Clarke (Mayor 01/07/2018 - 30/06/2018)		
Cr Jane Ashton (01/07/2017 - 30/06/2018)		
Cr Grant Brooker (01/07/2017 - 30/06/2018)		
Cr John Dumaresq (01/07/2017 - 30/06/2018)		
Cr Karen Egan (01/07/2017 - 30/06/2018)		
Cr Peter Perkins (01/07/2017 - 30/06/2018)		
Cr Bruce Ranken (01/07/2017 - 30/06/2018)		
Chief Executive Of Mr Mark Stoermer (01/07/2017 - 30/06/2018)		
Key Management Personnel reporting directly to the CEO		
Mr Conal Creedon, General Manager Infrastructure Services (01/07/2017 - 03/07/2017)		
Mr Andrew Port, General Manager Corporate Services (01/07/2017 - 03/07/2017)		
Mr Hjalmar Philipp, Director Sustainability and Place (14/08/2017 - 30/06/2018)		
Ms Lisa Pittle, Acting Director Sustainability and Place (01/07/2017 - 11/08/2017)		
Mr Matthew Kelleher, Director Services and Planning (17/08/2017 - 30/06/2018)		
Mr Jeremy Livingston, Acting Director Services and Planning (01/07/2017 - 16/08/2017)		
Mr Adrian Cully, Director Business and Strategy (02/01/2018 - 30/06/2018)		
MS Rachel Cooper, Director Business and Strategy (24/07/2017 - 13/11/2017)		
Ms Naomi Paton, Acting Director Business and Strategy (01/07/2017 - 21/07/2017)		
Mr Jeremy Livingston, Manager Business Performance and Transformation (17/08/2017-04/02/2018)		
Mr Jeremy Livingston, Executive Manager Organisation Performance (05/02/2018 - 30/06/2018)		
Ms Suzy Ellingsen, Executive Manager People, Culture and Innovation (01/07/2017 - 30/06/2018)		
Mr Vincenzo Lombardi, Executive Manager Finance (01/07/2017 - 30/06/2018)		
Ms Blaga Naumoski, Executive Manager Governance (26/02/2018 - 30/06/2018)		
Ms Allison Watt, Executive Manager Governance (01/07/2017 - 05/01/2018)		
Mr Mitchell Grayson, Chief of Staff to Mayor and Councillors (04/07/2017 - 30/06/2018)		
	2018	2017
	<i>No.</i>	<i>No.</i>
Total number of Councillors	7	13
Chief Executive Officer and other key management personnel	15	12
Total key management personnel	22	25

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 6 People and relationships (continued) **2018**
\$'000 **2017**
\$'000

6.1 Council and key management remuneration

(c) Remuneration of key management personnel

Total remuneration of key management personnel paid in 2017-18 was as follows:

Short-term benefits	2,124	2,326
Long-term benefits	144	161
Termination benefits	210	171
Total	2,478	2,658

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

	2018 <i>No.</i>	2017 <i>No.</i>
\$1 - \$9,999	-	5
\$10,000 - \$19,999	1	5
\$20,000 - \$29,999	8	2
\$30,000 - \$39,999	1	-
\$50,000 - \$59,999	1	1
\$70,000 - \$79,999	2	-
\$100,000 - \$109,999	1	-
\$110,000 - \$119,000	1	-
\$120,000 - \$129,999	1	-
\$150,000 - \$159,999	-	2
\$160,000 - \$169,999	-	3
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	2	-
\$210,000 - \$219,999	2	4
\$320,000 - \$329,999	1	2
	22	25

(d) Senior officer remuneration

A senior officer is an officer of Council, other than key management personnel, who:

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

	2018 <i>No.</i>	2017 <i>No.</i>
The number of senior officers are shown below in their relevant income bands:		
\$145,000 - \$149,999	7	2
\$160,000 - \$169,999	-	3
\$170,000 - \$179,999	2	1
	9	6

	2018 \$'000	2017 \$'000
Total Remuneration for the reporting year for senior officers included above, amounted to:	1,308	1,101

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 6 People and relationships (continued)	2018	2017
	\$'000	\$'000

6.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties:

Purchase of property at public auction	-	320
Payment of invoices to related party supplier for services rendered	-	10
Total transactions with related parties	-	330

(b) Outstanding balances with related parties

There were no outstanding balances at the end of the reporting period in relation to transactions with related parties.

(c) Loans to/from related parties

There were no loans made, guaranteed or secured by Council to a related party during the reporting period and no loans to or from related parties outstanding as at the end of the reporting period.

(d) Commitments to/from related parties

There were no commitments in existence at balance date that were made, guaranteed or secured by Council.

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 7 Managing uncertainties	2018	2017
	\$'000	\$'000

7.1 Contingent assets and liabilities

(a) Contingent assets

From time to time Council receives gifted infrastructure assets from property developers. The nature and timing of these assets is conditional upon subdivisional requirements being completed. Once received by Council ongoing maintenance costs become the responsibility of the Council.

Total contributions - non monetary received by Council	5,100	372
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(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

Council has paid no unfunded liability payments to Vision Super. There was contributions outstanding of \$82,806 (\$18,388 as at 30 June 2017) and no loans issued from or to the above schemes as at 30 June 2018. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$0.128 million (\$0.209 million as at 30 June 2017).

Legal Matters

The Council is not presently involved in any significant legal matters. No allowance has been made in the financial report for contingencies of a legal nature.

(c) Guarantees for loans to other entities	2018	2017
	\$'000	\$'000

Total guarantees for loans to other entities	974	1,077
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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.

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 probably that that right will be exercised.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 7 Managing uncertainties

7.2 Change in accounting standards

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

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

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

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

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

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

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 7 Managing uncertainties (continued)

7.3 Financial Instruments

(a) Objectives and policies

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

(b) Market risk

Market risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market prices. The Council's exposures 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 us to fair value interest rate risk / Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rate.

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 1989*. We manage 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 us to make a financial loss. Council have exposure to credit risk on some financial assets included in our balance sheet. To help manage this risk:

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

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

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

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

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 7 Managing uncertainties (continued)

7.3 Financial Instruments (continued)

(c) Credit risk (continued)

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

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.

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1 percent and -1 percent in market interest rates (AUD) from year-end rates of 2.65 percent.

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.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 7 Managing uncertainties (continued)

7.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis, currently every second year. The valuation is performed either by experienced council officers or independent experts. A formal revaluation of land, buildings and infrastructure assets was undertaken in 2018.

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.

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 7 Managing uncertainties (continued)

7.4 Fair value measurement (continued)

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 to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the comprehensive income statement, unless the asset is carried at the revalued amount in which case, the impairment loss is recognised directly against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

7.5 Events occurring after balance date

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 8 Other matters

8.1 Reserves

(a) Asset revaluation reserve

	Balance at beginning of reporting period \$'000	Increment/ (decrement) \$'000	Balance at end of reporting period \$'000
2018			
Property			
Land, land improvements and playgrounds	191,818	130,531	322,349
Buildings	13,526	29,654	43,180
Total property	205,344	160,185	365,529
Plant and Equipment			
Plant, machinery and vehicles	535	-	535
Furniture, equipment and computers	689	-	689
Artwork	1,368	-	1,368
Total plant and equipment	2,592	-	2,592
Infrastructure			
Roads	90,490	844	91,334
Bridges	3,916	(500)	3,416
Footpaths and cycleways	2,742	(1,980)	762
Drainage	43,367	1,959	45,326
Kerb and channel	8,139	167	8,306
Traffic treatments	8,659	(1,694)	6,965
Other infrastructure	401	-	401
Total infrastructure	157,714	(1,204)	156,511
Total asset revaluation reserves	365,651	158,981	524,632
2017			
Property			
Land, land improvements and playgrounds	191,818	-	191,818
Buildings	13,526	-	13,526
Total property	205,344	-	205,344
Plant and Equipment			
Plant, machinery and vehicles	535	-	535
Furniture, equipment and computers	689	-	689
Artwork	1,368	-	1,368
Total plant and equipment	2,592	-	2,592
Infrastructure			
Roads, earthworks	90,490	-	90,490
Bridges	3,916	-	3,916
Footpaths and cycleways	2,742	-	2,742
Drainage	43,367	-	43,367
Kerb and channel	8,139	-	8,139
Traffic treatments	8,659	-	8,659
Other infrastructure	401	-	401
Total infrastructure	157,714	-	157,715
Total asset revaluation reserves	365,651	-	365,651

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 8 Other matters (continued)

8.1 Reserves (continued)

(b) Other reserves

Statutory reserves are those for which Council is required to separately account for by statute. Funds are held for specific purposes as described in the reserve account name.

Discretionary Reserves are those for which Council does have discretion over the manner in which funds are expended. Funds held in these reserve accounts are held for the purposes describe in the reserve account name.

	Balance at beginning of reporting period \$'000	Net of transfer to / (from) accum. surplus \$'000	Balance at end of reporting period \$'000
2018			
Statutory cash backed reserves			
Car parks	97	-	97
Development planning overlays: infrastructure	2,810	165	2,975
Development contribution plans: open space	2,102	341	2,443
Development contribution construction	186	5	191
Native vegetation	230	15	245
Open space	1,015	489	1,504
Street light contributions	28	-	28
Street trees	76	-	76
Yarrambat drainage scheme	424	43	467
Yarrambat drainage extension area	153	4	157
Total cash backed statutory reserves	7,121	1,062	8,183
Discretionary reserves			
Bridgeford Estate	50	-	50
Carried forward projects	12,598	2,069	14,667
Cricket pitch renewal	2	3	5
Defined benefit superannuation potential future calls	1,341	-	1,341
Grants program management	62	(3)	59
Information technology	987	(1)	986
Leisure facility improvements	377	35	412
MAV bond repayment	3,352	1,476	4,828
Major projects	5,346	(3,579)	1,767
Plant replacement	2,543	503	3,046
Plenty and Kangaroo Ground landfill restoration	3,241	(122)	3,119
Public art program	167	(13)	154
Rates surplus	162	(162)	-
Special rates	10	-	10
Total discretionary reserves	30,238	206	30,444
Total other reserves	37,359	1,268	38,627

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 8 Other matters (continued)

8.1 Reserves (continued)

	Balance at beginning of reporting period \$'000	Net of transfer to / (from) accum. surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves (continued)			
2017			
Statutory cash backed reserves			
Car parks	97	-	97
Development planning overlays: infrastructure	2,643	167	2,810
Development contribution plans: open space	1,885	217	2,102
Development contribution construction	181	5	186
Native vegetation	238	(8)	230
Open space	937	78	1,015
Street light contributions	28	-	28
Street trees	76	-	76
Yarrambat drainage scheme	401	23	424
Yarrambat drainage extension area	149	4	153
Total cash backed statutory reserves	6,635	486	7,121
Discretionary reserves			
Bridgeford Estate	50	-	50
Carried forward projects	11,449	1,149	12,598
Cricket pitch renewal	-	2	2
Defined benefit superannuation potential future calls	1,341	-	1,341
Grants program management	91	(29)	62
Information technology	820	167	987
Leisure facility improvements	327	50	377
MAV bond repayment	1,785	1,567	3,352
Major projects	5,658	(312)	5,346
Plant replacement	1,792	751	2,543
Plenty and Kangaroo Ground landfill restoration	3,236	5	3,241
Public art program	137	30	167
Rates surplus	162	-	162
Special rates	15	(5)	10
Total discretionary reserves	26,863	3,375	30,238
Total other reserves	33,498	3,861	37,359
		2018	2017
		\$'000	\$'000
(c) Statutory cash backed and capital works reserves			
Statutory cash backed reserves		8,183	7,121
Discretionary reserves:			
Carried forward projects		14,667	12,598
Plant replacement		3,046	2,543
Bridgeford Estate		50	50
Plenty and Kangaroo Ground landfill restoration		3,119	3,241
Total externally restricted reserves		29,065	25,553

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

	2018	2017
	\$'000	\$'000
Note 8 Other matters (continued)		
8.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	16,552	15,922
Depreciation	11,115	10,415
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(1,351)	896
Share of net (profits)/losses of associate	(40)	(87)
Contributions - non-monetary assets	(5,100)	(372)
Borrowing cost	812	885
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	294	38
(Increase)/decrease in prepayments	(94)	(628)
(Increase)/decrease in accrued income	(2,511)	113
Increase/(decrease) in trade and other payables	3,414	780
(Increase)/decrease in inventories	1	(8)
Increase/(decrease) in provisions	(422)	147
Increase/(decrease) in trust funds	139	157
Net cash provided by/(used in) operating activities	<u>22,809</u>	<u>28,258</u>

**Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018**

Note 8 Other matters (continued)

8.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2018, this was 9.5 percent 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 multi-employer sponsored plan.

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

Funding arrangements

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

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

Net investment return	6.5 percent p.a
Salary inflation	3.5 percent p.a
Price inflation (CPI)	2.5 percent p.a

Vision Super has advised that the actual VBI at 30 June 2018 was 106.0 percent.

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

Nillumbik Shire Council
Notes To The Financial Report
For The Year Ended 30 June 2018

Note 8 Other matters (continued)

8.3 Superannuation (continued)

Regular contributions

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

Funding calls

If the defined benefit category is in an unsatisfactory financial position at 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 percent.

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall.

Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's defined benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up.

If there is a surplus in the Fund, the surplus cannot be returned to the participating employers.

In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2017 triennial actuarial investigation surplus amounts

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

- A VBI surplus of \$69.8 million; and
- A total service liability surplus of \$228.8 million.

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

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 2017 VBA during August 2017.

2018 interim actuarial investigation

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