

**Ararat Rural City Council
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2019

**Ararat Rural City Council
Financial Report
Table of Contents**

FINANCIAL REPORT		Page
Certification of the Financial Statements		1
Victorian Auditor-General's Office Audit Report		2
 Financial Statements		
Comprehensive Income Statement		4
Balance Sheet		5
Statement of Changes in Equity		6
Statement of Cash Flows		7
Statement of Capital Works		8
 Overview		 9
 Notes to Financial Statements		
Note 1	Performance against budget	10
	1.1. Income and expenditure	10
	1.2. Capital works	12
Note 2	Analysis of Council results by program	13
Note 3	Funding for the delivery of our services	15
	3.1. Rates and charges	15
	3.2. Statutory fees and fines	15
	3.3. User fees	15
	3.4. Funding from other levels of government	16
	3.5. Contributions	17
	3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment	17
	3.7. Other income	17
Note 4	The cost of delivering services	17
	4.1. Employee costs	17
	4.2. Materials and services	17
	4.3. Depreciation	18
	4.4. Bad and doubtful debts	18
	4.5. Borrowing costs	18
	4.6. Other expenses	18
Note 5	Our financial position	18
	5.1. Financial assets	18
	5.2. Non-financial assets	20
	5.3. Payables	20
	5.4. Interest-bearing liabilities	21
	5.5. Provisions	22
	5.6. Commitments	23
Note 6	Assets we manage	24
	6.1. Property, infrastructure, plant and equipment	24
	6.2. Investment property	30
Note 7	People and relationships	31
	7.1. Council and key management remuneration	31
	7.2. Related party disclosure	32
Note 8	Managing uncertainties	33
	8.1. Contingent assets and liabilities	33
	8.2. Change in accounting standards	33
	8.3. Financial instruments	34
	8.4. Fair value measurement	35
	8.5. Events occurring after balance date	36
Note 9	Other matters	36
	9.1. Reserves	36
	9.2. Reconciliation of cash flows from operating activities to surplus	38
	9.3. Superannuation	38

Certification of the Financial Statements

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

Alistair Rowe, BBus, CPA
Principal Accounting Officer
Date : <Date>
Ararat

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

As at the date of signing, we are not aware of any circumstances that 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 Beales
Councillor
Date : <Date>
Ararat

Bill Braithwaite
Councillor
Date : <Date>
Ararat

Dr Tim Harrison
Chief Executive Officer
Date : <Date>
Ararat

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Comprehensive Income Statement For the Year Ended 30 June 2019

	Note	2019 \$'000	2018 \$'000
Income			
Rates and charges	3.1	17,025	16,629
Statutory fees and fines	3.2	246	261
User fees	3.3	1,298	1,505
Grants - operating	3.4	9,537	7,052
Grants - capital	3.4	5,242	6,433
Contributions - monetary	3.5	287	473
Contributions - non monetary	3.5	-	13
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	87	(556)
Fair value adjustments for investment property	6.2	15	48
Other income	3.7	447	434
Total income		34,184	32,292
Expenses			
Employee costs	4.1	(11,637)	(11,147)
Materials and services	4.2	(8,986)	(10,367)
Depreciation	4.3	(9,135)	(7,337)
Bad and doubtful debts	4.4	(1)	(1)
Borrowing costs	4.5	(108)	(99)
Other expenses	4.6	(318)	(263)
Total expenses		(30,185)	(29,214)
Surplus for the year		3,999	3,078
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment	6.1	-	48,995
Total comprehensive result		3,999	52,073

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

**Balance Sheet
As at 30 June 2019**

	Note	2019 \$'000	2018 \$'000
Assets			
Current assets			
Cash and cash equivalents	5.1	19,326	15,705
Trade and other receivables	5.1	3,118	2,595
Inventories	5.2	63	112
Other assets	5.2	3	17
Total current assets		22,510	18,429
Non-current assets			
Trade and other receivables	5.1	16	18
Property, infrastructure, plant and equipment	6.1	223,379	221,218
Investment property	6.2	1,321	1,306
Total non-current assets		224,716	222,542
Total assets		247,226	240,971
Liabilities			
Current liabilities			
Trade and other payables	5.3	1,283	908
Trust funds and deposits	5.3	1,291	366
Provisions	5.5	2,606	2,594
Interest-bearing liabilities	5.4	158	25
Total current liabilities		5,338	3,893
Non-current liabilities			
Provisions	5.5	286	317
Interest-bearing liabilities	5.4	2,870	2,028
Total non-current liabilities		3,156	2,345
Total liabilities		8,494	6,238
Net assets		238,732	234,733
Equity			
Accumulated surplus		75,610	72,900
Reserves	9.1	163,122	161,833
Total Equity		238,732	234,733

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

**Statement of Changes in Equity
For the Year Ended 30 June 2019**

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2019		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		234,733	72,900	145,293	16,540
Surplus/(deficit) for the year		3,999	3,999	-	-
Transfers to other reserves	9.1	-	(10,516)	-	10,516
Transfers from other reserves	9.1	-	9,227	-	(9,227)
Balance at end of the financial year		238,732	75,610	145,293	17,829

	Note	Accumulated		Revaluation	Other
		Total	Surplus	Reserve	Reserves
2018		\$'000	\$'000	\$'000	\$'000
Balance at beginning of the financial year		182,660	70,452	96,298	15,910
Surplus/(deficit) for the year		3,078	3,078	-	-
Net asset revaluation increment/(decrement)	6.1	48,995	-	48,995	-
Transfers to other reserves	9.1	-	(8,995)	-	8,995
Transfers from other reserves	9.1	-	8,365	-	(8,365)
Balance at end of the financial year		234,733	72,900	145,293	16,540

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

Statement of Cash Flows
For the Year Ended 30 June 2019

	Note	2019 Inflows/ (Outflows) \$'000	2018 Inflows/ (Outflows) \$'000
Cash flows from operating activities			
Rates and charges		17,130	16,350
Statutory fees and fines		246	261
User fees		1,782	2,018
Grants - operating		9,522	7,070
Grants - capital		4,354	6,368
Contributions - monetary		318	503
Interest received		295	315
Trust funds and deposits taken		1,185	308
Other receipts		167	131
Net GST refund		1,745	1,957
Employee costs		(11,687)	(11,337)
Materials and services		(10,505)	(13,273)
Trust funds and deposits repaid		(261)	(273)
Other payments		(328)	(271)
Net cash provided by operating activities	9.2	13,963	10,127
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.1	(11,633)	(12,690)
Proceeds from sale of property, infrastructure, plant and equipment		424	351
Net cash used in investing activities		(11,209)	(12,339)
Cash flows from financing activities			
Finance costs		(108)	(99)
Proceeds from borrowings		1,000	79
Repayment of borrowings		(25)	(26)
Net cash provided by/(used in) financing activities		867	(46)
Net increase (decrease) in cash and cash equivalents		3,621	(2,258)
Cash and cash equivalents at the beginning of the financial year		15,705	17,963
Cash and cash equivalents at the end of the financial year	5.1	19,326	15,705
Restrictions on cash assets	5.1		

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

**Statement of Capital Works
For the Year Ended 30 June 2019**

	2019 \$'000	2018 \$'000
Property		
Buildings	3,025	6,507
Total property	<u>3,025</u>	<u>6,507</u>
Plant and equipment		
Plant, machinery and equipment	1,734	1,358
Fixtures, fittings and furniture	26	100
Library books	40	32
Total plant and equipment	<u>1,800</u>	<u>1,490</u>
Infrastructure		
Roads	5,776	4,072
Bridges	688	177
Footpaths and cycleways	170	214
Drainage	174	230
Total infrastructure	<u>6,808</u>	<u>4,693</u>
Total capital works expenditure	<u>11,633</u>	<u>12,690</u>
Represented by:		
New asset expenditure	1,407	3,924
Asset renewal expenditure	8,580	4,020
Asset upgrade expenditure	1,646	4,746
Total capital works expenditure	<u>11,633</u>	<u>12,690</u>

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

OVERVIEW

Introduction

The Ararat Rural City Council was established by an Order of the Governor in Council on 22 September 1994 and is a body corporate. The Council's main office is located at 59 Vincent Street, Ararat.

Statement of compliance

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

Significant accounting policies

(a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.1)
- the determination of employee provisions (refer to Note 5.5)

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.

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 \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 26 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance %	Ref
Income					
Rates and charges	16,919	17,025	106	1%	
Statutory fees and fines	243	246	3	1%	
User fees	1,516	1,298	(218)	-14%	1
Grants - operating	6,776	9,537	2,761	41%	2
Grants - capital	1,054	5,242	4,188	397%	3
Contributions - monetary	127	287	160	126%	
Net gain on disposal of property, infrastructure, plant and equipment	60	87	27	45%	
Fair value adjustments for investment property	-	15	15	100%	
Other income	429	447	18	4%	
Total income	27,124	34,184	7,060	26%	
Expenses					
Employee costs	(12,085)	(11,637)	(448)	4%	4
Materials and services	(8,967)	(8,986)	19	0%	
Depreciation	(8,321)	(9,135)	814	-10%	5
Bad and doubtful debts	-	(1)	1	100%	
Borrowing costs	(140)	(108)	(32)	23%	
Other expenses	(331)	(318)	(13)	4%	
Total expenses	(29,844)	(30,185)	341	-1%	
Surplus/(deficit) for the year	(2,720)	3,999	7,401	-272%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees	Council is no longer invoicing Northern Grampians Shire Council for waste disposal fees so there will be \$0.320 million less in user fees income and \$0.320 million less in materials and services expenditure.
2	Grants - operating	Council received Natural Disaster Relief funding of \$1.417 million to offset the expenditure incurred as a result of storm damage in September 2016. Accounting standards did not allow the reimbursement to be treated as income in that financial year. Council received \$0.509 million more than budget from the Victoria Grants Commission partly due to approximately half the annual allocation being received in advance in both 2017/18 and 2018/19 financial years. Council was successful in obtaining several grants that had not been budgeted for, including the Safety Lighting funding of \$0.162 million and a number of minor grants less than \$0.050 million.
3	Grants - capital	Council was successful in obtaining several grants that had not been budgeted for, including Fixing Country Roads funding for Back Bolac Road of \$0.633 million, Fixing Country Roads funding for Helendoite Road and Tatyoon North Road of \$0.600 million, Ararat Active Link funding of \$0.225 million, and Ararat on the Move Female Friendly Facilities funding of \$0.325 million. Pick My Project funding of \$0.263 million has been received for the Ararat Basketball Court and the Willaura Multipurpose Facility. The final grant payments of \$1.989 million was received for the Ararat Arts Precinct Redevelopment.
4	Employee costs	Savings have mostly resulted from recent organisation restructuring, as well as delays in replacing some staff members and other vacancies that have not been filled.
5	Depreciation	The budget for depreciation was prepared prior to the 2018 year revaluation of infrastructure assets

1.2 Capital works

	Budget 2019 \$'000	Actual 2019 \$'000	Variance 2019 \$'000	Variance 2019 %	Ref
Property					
Land	333	-	(333)	-100%	1
Total land	333	-	(333)	-100%	
Buildings	724	3,025	2,301	318%	2
Total buildings	724	3,025	2,301	318%	
Total property	1,057	3,025	1,968	186%	
Plant and equipment					
Plant, machinery and equipment	1,150	1,734	584	51%	3
Fixtures, fittings and furniture	275	26	(249)	-91%	4
Library books	58	40	(18)	-31%	
Total plant and equipment	1,483	1,800	317	21%	
Infrastructure					
Roads	3,065	5,776	2,711	88%	5
Bridges	480	688	208	43%	
Footpaths and cycleways	185	170	(15)	-8%	
Drainage	60	174	114	190%	
Total infrastructure	3,790	6,808	3,018	80%	
Total capital works expenditure	6,330	11,633	5,303	84%	
Represented by:					
New asset expenditure	550	1,407	857	156%	6
Asset renewal expenditure	5,003	8,580	3,577	71%	7
Asset upgrade expenditure	777	1,646	869	112%	8
Total capital works expenditure	6,330	11,633	5,303	84%	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	The budget was for the Lake Bolac Transfer Station Upgrade however infrastructure works have not commenced.
2	Buildings	Building works included Willaura Hall \$0.318 million, Skate Park Development \$0.317 million and the Ararat Arts Precinct Redevelopment \$1.726 million. These works were funded from income carried forward from the previous year.
3	Plant, machinery and equipment	Reserves were used to fund additional Major Plant (\$0.326 million) and vehicles (\$0.257 million) during the year.
4	Fixtures, fittings and furniture	The purchase of a new server has been delayed
5	Roads	Savings in road maintenance budget were redirected to additional capital works to help reduce the asset renewal gap - additional resheeting \$0.495 million, extra reseals \$0.146 million. Council received Fixing Country Roads grant \$0.633 million that was not budgeted for. Roads to recovery grant of \$0.926 million was carried forward from the previous year.
6	New asset expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
7	Asset renewal expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
8	Asset upgrade expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.

Note 2 Analysis of Council results by program

2.1 (a) Council delivers its functions and activities through the following programs.

Planning, Community & Compliance

This department provides our community with services that enhance their wellbeing, support their welfare, and provide essential services to see our region grow and prosper. Service areas in this department include planning, building, environmental health, waste management, sustainability, community events support, recreation services, library, positive ageing, children's services, emergency management and community safety.

Arts, Culture & Heritage

Providing tangible cultural experiences such as music, theatre and art, as well as nurturing the municipality's strong history and heritage, is among the important work this department undertakes. Service areas take in the Ararat Gallery Textile Art Museum Australia (TAMA), the Ararat Town Hall (formerly the Performing Arts Centre), and the Gum San Chinese Cultural Heritage Centre.

Infrastructure

One of the most important roles of Council includes maintaining and improving its built assets such as roads, drains and buildings, as well as the natural environment that our residents enjoy. Service areas in this department include design and project management, property maintenance, city services, road maintenance, major and minor plant, parks and gardens, and infrastructure works.

Corporate Services

This area includes essential organisational functions that allows Council to undertake its work for the community. Service areas include finance and rating, procurement, corporate support, property operations, and vehicle fleet management.

CEO's Office

The CEO's Office within Council incorporates a number of areas that take in the organisation's leadership function and service areas that build and grow our communities. Service areas include organisational governance, communications and promotion, economic development, tourism and human resources.

Business Transformation

With Council working on improving service delivery and changing its operational position, it is important to have a support network for this important work. Service areas in this department include change management, asset management, and information technology.

2.1 (b) Summary of revenues, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Planning, Community & Compliance	7,817	(8,168)	(351)	4,401	11,856
Arts, Culture & Heritage	534	(1,369)	(835)	308	8,266
Infrastructure Services	6,370	(14,513)	(8,143)	6,182	201,397
Corporate Services	19,420	(1,485)	17,935	3,884	25,707
CEO's Office	31	(2,480)	(2,449)	4	-
Business Transformation	12	(2,170)	(2,158)	-	-
	34,184	(30,185)	3,999	14,779	247,226

	Income	Expenses	Surplus/(Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Planning, Community & Compliance	8,165	(8,821)	(656)	4,589	13,278
Arts, Culture & Heritage	219	(801)	(582)	146	8,389
Infrastructure Services	5,172	(13,176)	(8,004)	5,292	198,941
Corporate Services	18,664	(1,660)	17,004	3,456	20,363
CEO's Office	45	(2,894)	(2,849)	2	-
Business Transformation	27	(1,862)	(1,835)	-	-
	32,292	(29,214)	3,078	13,485	240,971

Note 3 Funding for the delivery of our services	2019	2018
3.1 Rates and charges	\$'000	\$'000

Council uses the Capital Improved Valuation as the basis of valuation of all properties within the municipal district. The Capital Improved Valuation of a property is its approximate market value at a given date of 1 January 2018.

The valuation base used to calculate general rates for 2018/19 was \$2.754 billion (2017/18 \$2.360 billion). The 2018/19 rate in the Capital Improved Valuation dollar was General 0.6597, Farm 0.3628, Commercial 0.8246, and Industrial 0.8246 (2017/18 General 0.7328, Farm 0.4030, Commercial 1.1725, and Industrial 0.9526).

General rates	6,510	6,899
Commercial	966	1,220
Industrial	242	250
Farm	5,964	5,245
Municipal charge	595	592
Council pensioner rebate	(1)	(127)
Carbage charge	1,644	1,609
Recycling charge	513	388
Interest on rates and charges	118	117
Revenue in lieu of rates	474	436
Total rates and charges	17,025	16,629

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation 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.

3.2 Statutory fees and fines

Infringements and costs	12	26
Town planning fees	93	112
Land information certificates	13	14
Permits	128	109
Total statutory fees and fines	246	261

Statutory 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.

3.3 User fees

Aged and health services	270	271
Child care/children's programs	11	10
Parking	73	58
Registration and other permits	136	145
Building services	53	94
Waste management services	245	531
Gum San Museum/Great Hall charges	61	72
Ararat Town Hall charges	71	11
Visitor Information Centre	24	32
Alexandra Oval	91	112
Road occupancy	12	27
Valuation fees	92	14
Private works	50	22
Other fees and charges	109	106
Total user fees	1,298	1,505

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

	2019	2018
	\$'000	\$'000
3.4 Funding from other levels of government		
Grants were received in respect of the following :		
Summary of grants		
Commonwealth funded grants	9,297	8,839
State funded grants	5,482	4,646
Total grants received	<u>14,779</u>	<u>13,485</u>
(a) Operating Grants		
Recurrent - Commonwealth Government		
Financial Assistance Grants	6,110	5,551
General home care	451	425
Recurrent - State Government		
Aged care	152	176
School crossing supervisors	12	14
Libraries	135	130
Maternal and child health	223	182
Environment	15	14
Culture	140	140
Total recurrent operating grants	<u>7,238</u>	<u>6,632</u>
Non-recurrent - Commonwealth Government		
Natural disaster	1,503	-
Non-recurrent - State Government		
Community development	145	70
Environment	96	104
Employment	12	-
Planning and development	66	60
Culture	166	13
Natural disaster	60	60
Administration	41	40
Recreation	210	73
Total non-recurrent operating grants	<u>2,299</u>	<u>420</u>
Total operating grants	<u>9,537</u>	<u>7,052</u>
(b) Capital Grants		
Recurrent - Commonwealth Government		
Roads to recovery	1,044	2,107
Total recurrent capital grants	<u>1,044</u>	<u>2,107</u>
Non-recurrent - Commonwealth Government		
Buildings	189	756
Non-recurrent - State Government		
Transport	1,333	1,050
Buildings	1,800	2,430
Recreation	876	90
Total non-recurrent capital grants	<u>4,198</u>	<u>4,326</u>
Total capital grants	<u>5,242</u>	<u>6,433</u>
(c) Unspent grants received on condition that they be spent in a specific manner		
Balance at start of year	1,249	695
Received during the financial year and remained unspent at balance date	1,732	1,119
Received in prior years and spent during the financial year	(1,202)	(565)
Balance at year end	<u>1,779</u>	<u>1,249</u>

Grant income is recognised when Council obtains control of the contribution. Control is normally obtained upon receipt (or acquittal).

	2019 \$'000	2018 \$'000
3.5 Contributions		
Monetary	287	473
Non-monetary	-	13
Total contributions	<u>287</u>	<u>486</u>

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

Land	-	13
Total non-monetary contributions	<u>-</u>	<u>13</u>

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

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

Proceeds of sale	424	351
Written down value of assets disposed	(337)	(907)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	<u>87</u>	<u>(556)</u>

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

3.7 Other income

Interest	295	315
Investment property rental	126	119
Insurance recoveries	26	-
Total other income	<u>447</u>	<u>434</u>

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 4 The cost of delivering services

4.1 (a) Employee costs

Wages and salaries	10,329	9,955
WorkCover	303	206
Superannuation	899	887
Fringe benefits tax	106	99
Total employee costs	<u>11,637</u>	<u>11,147</u>

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	71	97
	<u>71</u>	<u>97</u>

Employer contributions payable at reporting date.

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	747	763
Employer contributions - other funds	81	27
	<u>828</u>	<u>790</u>

Employer contributions payable at reporting date.

Refer to note 9.3 for further information relating to Council's superannuation obligations.

4.2 Materials and services

Materials and services	5,211	6,732
Contract payments	1,646	2,014
Plant and equipment maintenance	1,279	1,110
Utilities	533	331
Consultants	317	180
Total materials and services	<u>8,986</u>	<u>10,367</u>

	2019	2018
	\$'000	\$'000
4.3 Depreciation		
Property	1,353	1,306
Plant and equipment	808	747
Infrastructure	6,974	5,284
Total depreciation	<u>9,135</u>	<u>7,337</u>

Refer to note 5.2(c) and 6.1 for a more detailed breakdown of depreciation charges and accounting policy.

4.4 Bad and doubtful debts

Other debtors	1	1
Total bad and doubtful debts	<u>1</u>	<u>1</u>

Bad debts are written off when identified.

4.5 Borrowing costs

Interest - Borrowings	108	99
Total borrowing costs	<u>108</u>	<u>99</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.

4.6 Other expenses

Auditors' remuneration - External (Victorian Auditor-General)	43	40
Auditors' remuneration - Internal	55	37
Councillors' allowances	220	186
Total other expenses	<u>318</u>	<u>263</u>

Note 5 Our financial position

5.1 Financial assets

(a) Cash and cash equivalents

Cash on hand	236	3
Cash at bank	3	585
Term deposits	19,087	15,117
Total cash and cash equivalents	<u>19,326</u>	<u>15,705</u>

Total financial assets	<u>19,326</u>	<u>15,705</u>
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Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:

- Trust funds and deposits (Note 5.3)	1,291	366
Total restricted funds	<u>1,291</u>	<u>366</u>
Total unrestricted cash and cash equivalents	<u>18,035</u>	<u>15,339</u>

Intended allocations

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

- cash held to fund carried forward capital works	7,468	7,505
- include details of other allocated amounts	10,361	9,035
Total funds subject to intended allocations (Note 9.1(b))	<u>17,829</u>	<u>16,540</u>

Cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of 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.

	2019	2018
	\$'000	\$'000
(b) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	1,429	1,533
<i>Non statutory receivables</i>		
Other debtors	1,689	1,062
Total current trade and other receivables	<u>3,118</u>	<u>2,595</u>
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	16	18
Total non-current trade and other receivables	<u>16</u>	<u>18</u>
Total trade and other receivables	<u>3,134</u>	<u>2,613</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.

(c) Ageing of Receivables

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

Current (not yet due)	1,566	968
Past due by up to 30 days	50	13
Past due between 31 and 180 days	16	22
Past due between 181 and 365 days	57	59
Total trade and other receivables	<u>1,689</u>	<u>1,062</u>

	2019	2018
	\$'000	\$'000
5.2 Non-financial assets		
(a) Inventories		
Inventories held for distribution	41	83
Inventories held for sale	22	29
Total inventories	<u>63</u>	<u>112</u>

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

(b) Other assets

Prepayments	3	17
Total other assets	<u>3</u>	<u>17</u>

5.3 Payables

(a) Trade and other payables

Trade payables	891	690
Accrued expenses	392	218
Total trade and other payables	<u>1,283</u>	<u>908</u>

(b) Trust funds and deposits

Refundable deposits	93	156
Fire services levy	1,078	2
Retention amounts	82	56
Other refundable deposits	38	152
Total trust funds and deposits	<u>1,291</u>	<u>366</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.

Purpose and nature of items

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

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

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.

	2019	2018
	\$'000	\$'000
5.4 Interest-bearing liabilities		
Current		
Borrowings - secured	130	-
Finance leases	28	25
	<u>158</u>	<u>25</u>
Non-current		
Borrowings - secured	2,870	2,000
Finance leases	-	28
	<u>2,870</u>	<u>2,028</u>
Total	<u>3,028</u>	<u>2,053</u>

Borrowings are secured by (insert security details)

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

Not later than one year	130	-
Later than one year and not later than five years	2,564	2,000
Later than five years	306	-
	<u>3,000</u>	<u>2,000</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.

(b) The maturity profile for Council's finance lease liabilities is:

Not later than one year	28	25
Later than one year and not later than five years	-	28
	<u>28</u>	<u>53</u>
Minimum future lease payments		
Less future finance charges	4	12
Present value of minimum lease payments	<u>32</u>	<u>65</u>

Council has entered into an arrangement for the upgrade of parking meters with payments over a period of three years.

	2019	2018
	\$'000	\$'000
5.5 Provisions		
(a) Employee provisions		
Current provisions expected to be wholly settled within 12		
Annual leave	697	732
Other leave	67	59
	<u>764</u>	<u>791</u>
Current provisions expected to be wholly settled after 12		
Annual leave	186	220
Long service leave	1,656	1,583
	<u>1,842</u>	<u>1,803</u>
Total current employee provisions	<u>2,606</u>	<u>2,594</u>
Non-current		
Long service leave	286	317
Total non-current employee provisions	<u>286</u>	<u>317</u>
Aggregate carrying amount of employee provisions:		
Current	764	791
Non-current	286	317
Total aggregate carrying amount of employee provisions	<u>1,050</u>	<u>1,108</u>

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

Wages and salaries and annual leave

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

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

Long service leave

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

Key assumptions:

- discount rate	1.15%	2.36%
- index rate	4.31%	3.88%

5.6 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.

2019	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	301	-	-	-	301
Garbage collection	486	-	-	-	486
Consultancies	55	-	-	-	55
Information technology	6	-	-	-	6
Recreation facilities management	473	-	-	-	473
Meals for delivery	91	-	-	-	91
Total	1,412	-	-	-	1,412
Capital					
Buildings	279	-	-	-	279
Roads	77	-	-	-	77
Total	356	-	-	-	356

2018	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling	203	-	-	-	203
Garbage collection	359	-	-	-	359
Consultancies	118	-	-	-	118
Information technology	3	-	-	-	3
Recreation facilities management	692	692	-	-	1,384
Meals for delivery	89	-	-	-	89
Total	1,464	692	-	-	2,156
Capital					
Buildings	1,131	-	-	-	1,131
Plant and equipment	441	-	-	-	441
Roads	1,067	-	-	-	1,067
Total	2,639	-	-	-	2,639

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2018 \$'000	Additions \$'000	Depreciation \$'000	Disposal \$'000	Transfers \$'000	At Fair Value 30 June 2019 \$'000
Property	49,328	2,820	(1,353)	-	7,338	58,133
Plant and equipment	7,306	1,800	(808)	(337)	-	7,961
Infrastructure	157,082	5,360	(6,974)	-	127	155,595
Work in progress	7,502	1,653	-	-	(7,465)	1,690
	221,218	11,633	(9,135)	(337)	-	223,379

Summary of Work in Progress

	Opening WIP \$'000	Additions \$'000	Transfers \$'000	Closing WIP \$'000
Property	7,338	205	(7,338)	205
Infrastructure	164	1,448	(127)	1,485
Total	7,502	1,653	(7,465)	1,690

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

(a) Property

	Freehold land	Controlled land*	Land under roads	Total Land	Buildings on freehold land	Buildings on controlled land*	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	6,482	6,477	233	13,192	55,174	41,411	96,585	7,338	117,115
Accumulated depreciation at 1 July 2018	-	-	-	-	(34,058)	(26,391)	(60,449)	-	(60,449)
	6,482	6,477	233	13,192	21,116	15,020	36,136	7,338	56,666
Movements in fair value									
Additions	-	-	-	-	180	2,640	2,820	205	3,025
Transfers	-	-	-	-	-	7,338	7,338	(7,338)	-
	-	-	-	-	180	9,978	10,158	(7,133)	3,025
Movements in accumulated depreciation									
Depreciation	-	-	-	-	(865)	(488)	(1,353)	-	(1,353)
	-	-	-	-	(865)	(488)	(1,353)	-	(1,353)
At fair value 30 June 2019	6,482	6,477	233	13,192	55,354	51,389	106,743	205	120,140
Accumulated depreciation at 30 June 2019	-	-	-	-	(34,923)	(26,879)	(61,802)	-	(61,802)
	6,482	6,477	233	13,192	20,431	24,510	44,941	205	58,338

*Controlled land is Crown land for which Council is Committee of Management

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

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Library books	Artworks	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	8,691	1,154	1,145	1,811	12,801
Accumulated depreciation at 1 July 2018	(4,104)	(577)	(814)	-	(5,495)
	4,587	577	331	1,811	7,306
Movements in fair value					
Additions	1,734	26	40	-	1,800
Disposal	(1,205)	(41)	-	-	(1,246)
	529	(15)	40	-	554
Movements in accumulated depreciation					
Depreciation	(678)	(111)	(19)	-	(808)
Accumulated depreciation of disposals	868	41	-	-	909
	190	(70)	(19)	-	101
At fair value 30 June 2019	9,220	1,139	1,185	1,811	13,355
Accumulated depreciation at 30 June 2019	(3,914)	(647)	(833)	-	(5,394)
	5,306	492	352	1,811	7,961

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

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	250,411	41,497	12,336	12,515	164	316,923
Accumulated depreciation at 1 July 2018	(128,565)	(17,700)	(6,908)	(6,504)	-	(159,677)
	121,846	23,797	5,428	6,011	164	157,246
Movements in fair value						
Additions	4,339	677	170	174	1,448	6,808
Transfers	95	32	-	-	(127)	-
	4,434	709	170	174	1,321	6,808
Movements in accumulated depreciation						
Depreciation	(6,237)	(406)	(173)	(158)	-	(6,974)
	(6,237)	(406)	(173)	(158)	-	(6,974)
At fair value 30 June 2019	254,845	42,206	12,506	12,689	1,485	323,731
Accumulated depreciation at 30 June 2019	(134,802)	(18,106)	(7,081)	(6,662)	-	(166,651)
	120,043	24,100	5,425	6,027	1,485	157,080

Acquisition

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

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

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	10,000
land under roads	-	10,000
Buildings		
buildings	20 - 193 years	10,000
Plant and Equipment		
plant, machinery and equipment	5 - 25 years	3,000
fixtures, fittings and furniture	10 years	3,000
computers and telecommunications	10 years	3,000
library books	3 - 10 years	1
Infrastructure		
roads - pavements & seals	10 - 20 years	10,000
roads - substructure	30 - 75 years	10,000
roads - kerb, channel and minor culverts	30 - 100 years	10,000
bridges	50 - 120 years	10,000
footpaths & cycleways	10 - 80 years	10,000
drainage	50 - 100 years	10,000

Land under roads

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

Depreciation

Buildings, 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 listed above and are consistent with the prior year unless otherwise stated.

Finance leases

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

Repairs and maintenance

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

Valuation of land and buildings

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

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

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

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

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

	Level 1	Level2	Level 3	Date of Valuation
Land	-	5,264	-	Jan-18
Specialised land	-	-	7,928	Jan-18
Buildings	-	1,057	43,884	Jan-18
Total	-	6,321	51,812	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Council's Manager Assets, Shaun Foy.

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

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

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

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	120,043	Jun-18
Bridges	-	-	24,100	Jun-18
Footpaths and cycleways	-	-	5,425	Jun-18
Drainage	-	-	6,027	Jun-18
Total	-	-	155,595	

Description of significant unobservable inputs into level 3 valuations

Specialised land and land under roads are valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 15% and 80%. The market value of land varies significantly depending on the location of the land and the current market conditions.

Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 193 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 10 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2019 \$'000	2018 \$'000
Reconciliation of specialised land		
Land under roads	233	233
Parks and reserves	7,695	7,695
Total specialised land	7,928	7,928

	2019	2018
	\$'000	\$'000
6.2 Investment property		
Balance at beginning of financial year	1,306	1,258
Fair value adjustments	15	48
Balance at end of financial year	<u>1,321</u>	<u>1,306</u>

Investment property is held to generate long-term rental yields. Investment property is measured initially at cost, including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefit in excess of the originally assessed performance of the asset will flow to the Council. Subsequent to initial recognition at cost, investment property is carried at fair value, determined annually by independent valuers. Changes to fair value are recorded in the comprehensive income statement in the period that they arise.

Valuation of investment property

Valuation of investment property has been determined in accordance with an independent valuation by PW Newman Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property.

	2019 No.	2018 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Ararat Rural City Council is the parent entity.		
(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		
Councillor Peter Beales (Mayor from 30/10/18)		
Councillor Gwenda Allgood (Mayor to 30/10/18)		
Councillor Jo Armstrong		
Councillor David Pettman		
Councillor Bill Braithwaite		
Councillor Fay Hull		
Councillor Frank Deutsch		
Chief Executive Officer - Allan Bawden (to 30/09/18)		
Chief Executive Officer - Dr Tim Harrison (from 01/10/18)		
Chief Information Officer - Don Cole (to 28/02/19)		
Manager Infrastructure - Tim Day (to 17/05/19)		
Manager Organisation Transformation - Angela Hunt		
Manager Planning & Development - Joel Hastings (to 08/03/19)		
Acting General Manager Corporates Services - Matthew Wood (to 21/12/18)		
Manager Planning, Community & Compliance - Veronica Schilling (from 12/03/19)		
Manager Corporate Support - Alistair Rowe (from 01/01/19)		
Executive Officer - Julie Cronin (from 01/05/19)		
Total Number of Councillors	7	10
Total of Chief Executive Officer and other Key Management Personnel	10	9
Total Number of Key Management Personnel	<u>17</u>	<u>19</u>
(c) Remuneration of Key Management Personnel		
	\$'000	\$'000
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,228	1,405
Termination benefits	374	299
Total	<u>1,602</u>	<u>1,704</u>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	No.	No.
\$1 - \$9,999	-	2
\$10,000 - \$19,999	-	2
\$20,000 - \$29,999	6	6
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$80,000 - \$89,999	1	-
\$90,000 - \$99,999	1	-
\$120,000 - \$129,999	-	1
\$130,000 - \$139,999	-	1
\$140,000 - \$149,999	1	2
\$160,000 - \$169,999	1	-
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	-	1
\$210,000 - \$219,999	2	-
\$230,000 - \$239,999	1	1
\$350,000 - \$359,999	-	1
	<u>17</u>	<u>19</u>

The allocations by band range have been influenced by several resignations and redundancies, in both financial years. Recent organisation restructuring has also resulted in some existing staff being included as key management personnel for part of the 2019 financial year.

(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 \$148,000

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

Income Range:	2019 No.	2018 No.
\$148,000 - \$149,999	-	1
\$150,000 - \$159,999	-	1
	<u>-</u>	<u>2</u>
	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included above, amounted to	-	314

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties within normal customer relationships on terms and conditions no more favourable than those available in similar arm's length dealings.

Related parties of Cr Gwenda Allgood operate Lardner Bros, which provided locksmith, engraving, and site camera installation services to the Council. The total value of services provided during the 2018/2019 financial year was \$22,357.

The Events & Marketing Officer (EMO) was a related party of Cr Jo Armstrong employed by Council during the 2018/19 financial year, with a total remuneration value of \$42,284. The employment of the EMO is under the normal terms and conditions of employment with Council.

The Manager Planning & Development purchased a vehicle from Council for the market value of \$15,730. Due to redundancy the vehicle was surplus to Council's fleet requirements and was sold on an "as-is" basis.

(b) Outstanding balances with related parties

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

Nil

(c) Loans to/from related parties

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

Nil

(d) Commitments to/from related parties

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

Nil

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Operating lease receivables

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold office complexes, and surplus land. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years. All leases include a CPI based revision of the rental charge annually.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 \$'000	2018 \$'000
Not later than one year	6	6
Later than one year and not later than five years	26	26
Later than five years	7	14
	39	46

(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

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2020 are \$79,000.

Gravel pits

Council operates a number of gravel pits. Council will have to carry out site rehabilitation works in the future. At balance date Council is unable to accurately assess the financial implications of such works.

Liability Mutual Insurance

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years.

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

8.2 Change in accounting standards

The following new AASs have been issued that are not mandatory for the 30 June 2019 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of no lease related assets and no equivalent liability

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

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

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Council's interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes council to fair value interest rate risk. Council does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Council has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

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

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

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

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

(c) Credit risk

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

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of Council's contingent liabilities are disclosed in Note 8.1(b).

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 5.4.

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 1.25%.

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.

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 3 years. The valuation is performed either by experienced council officers or independent experts.

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

Impairment of assets

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

8.5 Events occurring after balance date

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

Note 9 Other matters

9.1 Reserves

	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
(a) Asset revaluation reserves			
2019			
Artworks			
Artworks	961	-	961
	961	-	961
Property			
Land	9,525	-	9,525
Buildings	26,588	-	26,588
	36,113	-	36,113
Infrastructure			
Roads	80,774	-	80,774
Bridges	20,193	-	20,193
Footpaths and cycleways	6,462	-	6,462
Drainage	790	-	790
	108,219	-	108,219
Total asset revaluation reserves	145,293	-	145,293
2018			
Artworks			
Artworks	344	-	961
	344	617	961
Property			
Land	8,691	834	9,525
Buildings	25,106	1,482	26,588
	33,797	2,316	36,113
Infrastructure			
Roads	34,208	46,566	80,774
Bridges	21,542	(1,349)	20,193
Footpaths and cycleways	4,922	1,540	6,462
Drainage	1,485	(695)	790
	62,157	46,062	108,219
Total asset revaluation reserves	96,298	48,995	145,293

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

	Balance at beginning of reporting period \$'000	Transfer from accumulated surplus \$'000	Transfer to accumulated surplus \$'000	Balance at end of reporting period \$'000
(b) Other reserves				
2019				
Capital works	7,505	7,468	(7,505)	7,468
Plant replacement	1,097	-	(952)	145
Vehicle replacement	563	-	(98)	465
Election costs	55	25	-	80
Aerial imaging	61	-	-	61
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	260	-	-	260
Recreational land	61	-	-	61
Gravel pit restoration	256	34	-	290
Building capital	2,792	1,695	(550)	3,937
Environmental projects	194	-	-	194
Waste management	1,525	308	(122)	1,711
Asset management	217	-	-	217
Information technology	117	600	-	717
Loan repayment	1,195	386	-	1,581
Aerodrome	46	-	-	46
Total Other reserves	16,540	10,516	(9,227)	17,829
2018				
Capital works	6,932	7,505	(6,932)	7,505
Plant replacement	1,771	-	(674)	1,097
Vehicle replacement	530	33	-	563
Election costs	30	25	-	55
Aerial imaging	61	-	-	61
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	240	20	-	260
Recreational land	159	22	(120)	61
Gravel pit restoration	85	171	-	256
Building capital	2,913	424	(545)	2,792
Environmental projects	194	-	-	194
Waste management	1,162	363	-	1,525
Asset management	311	-	(94)	217
Information technology	117	-	-	117
Loan repayment	763	432	-	1,195
Aerodrome	46	-	-	46
Total Other reserves	15,910	8,995	(8,365)	16,540

Description of the nature and purpose of each reserve:

- Capital Works – specific purpose reserve used to fund major capital works projects.
- Plant Replacement – specific purpose reserve used to replace major items of plant and equipment.
- Vehicle Replacement – specific purpose reserve used to replace vehicles.
- Election Costs – specific purpose reserve used to fund election.
- Aerial Imaging – specific purpose reserve used to fund aerial imaging costs.
- Library – specific purpose reserve used to fund library upgrade works.
- Defined Benefits – specific purpose reserve used to fund defined benefit superannuation calls.
- Essential Services – specific purpose reserve used to fund essential services reports and works.
- Recreational Land – specific purpose reserve used to fund public open space works.
- Gravel Pit Restoration – specific purpose reserve used to fund works required to reinstate gravel pits.
- Building Capital – specific purpose reserve used to fund major building capital works.
- Environmental Projects – specific purpose reserve used to fund innovative environmental projects.
- Waste Management – specific purpose reserve used to fund works at waste management facilities.
- Asset Management – specific purpose reserve used to fund asset management works.
- Information Technology – specific purpose reserve used to fund information technology works.
- Loan Repayment – specific purpose reserve used to provide for repayment of loans.
- Aerodrome – specific purpose reserve used to fund works required at the Ararat Aerodrome.

	2019	2018
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)	\$'000	\$'000
Surplus for the year	3,999	3,078
Depreciation	9,135	7,337
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(87)	556
Fair value adjustments for investment property	(15)	(48)
Contributions - Non-monetary assets	-	(13)
Borrowing costs	108	99
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	(520)	24
Decrease in prepayments	15	37
Increase/(decrease) in trade and other payables	375	(800)
Increase in trust funds and deposits	924	35
(Increase)/decrease in inventories	48	(8)
Decrease in provisions	(19)	(170)
Net cash provided by operating activities	<u>13,963</u>	<u>10,127</u>

9.3 Superannuation

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

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, this was 9.5% as required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

As at 30 June 2018, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 106.0%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa
Salary information 3.5% pa
Price inflation (CPI) 2.0% pa.

Vision Super has advised that the estimated VBI at June 2019 was 107.1%.

The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2018 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

Defined benefit 2018 interim actuarial investigation surplus amounts

The Fund's actuarial investigations identified the following in the Defined Benefit category of which Council is a contributing employer:

A VBI surplus of \$131.9 million
A total service liability surplus of \$218.3 million.
A discounted accrued benefits surplus of \$249.1 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 2018.

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

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

An interim actuarial investigation will be conducted for the Fund's position as at 30 June 2019. It is anticipated that this actuarial investigation will be completed by October 2019.

Performance Statement

For the year ended 30 June 2019

Description of Municipality

Ararat Rural City lies at an important junction of the Western and Pyrenees highways 198 kilometres north-west of Melbourne, approximately a quarter of the way between Melbourne and Adelaide.

Centrally located to the Grampians National Park, the Goldfields, the Southern Coast and metropolitan Melbourne, the Ararat region is not far from anywhere.

Ararat is a major regional service centre in Victoria's mid-west and is supported by a number of small rural townships. Ararat Rural City has excellent schools, hospitals, transport connections and amenities that support a regional lifestyle.

Ararat Rural City is also the gateway to the world-renowned Grampians region where local produce, wine production, agriculture and tourism are among the economic mainstays. Diverse retail and manufacturing industries are spearheading a growing economy.

The region is nestled within picturesque landscapes which include magnificent natural environments and beautiful inland lakes. Our environment allows for a diverse range of recreational activities to be enjoyed by both residents and visitors to the municipality.

Council has a strong cultural relationship with its Sister City Taishan, and its three Friendship Cities: Yiwu, Huzhou and Ji'an in China.

During the financial period Council completed capital works at the Ararat Town Hall, Willaura Hall, Ararat Skate Park, the Ararat Olympic Pool waterslide, the Ararat Men's Shed and the E-Waste Shed. Works in progress include the Ararat Fitness Centre basketball court and the Ararat Town Hall fountain.

Municipal Snapshot

Population » 11,795 (Australian Bureau of Statistics – Catalogue 3218.0 Population Estimates by Local Government Area)

Area » 4,230 square kilometres

Rateable properties » 7,164

Number of Councillors » 7

Rates and charges revenue » \$17.025 million Total Revenue » \$34.184 million

Length of sealed local roads » 764 kms

Length of unsealed local roads » 1,662 kms

Sustainable Capacity Indicators

For the year ended 30 June 2019

<i>Indicator/measure</i>	Results				Material Variations
	2016	2017	2018	2019	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,400.07	\$2,558.97	\$2,539.45	\$2,559.14	
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,095.03	\$14,089.09	\$17,745.12	\$17,820.01	There was a significant shift in the value of infrastructure assets as a result of a revaluation in 2018.
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	4.64	4.66	4.86	4.87	
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,585.24	\$1,657.50	\$1,610.25	\$1,620.86	
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$448.49	\$963.89	\$745.46	\$702.16	
Disadvantage					
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	2	2	1	1	The index of relative socio economic disadvantage has changed from 2 to 1 since the last census

Definitions

"adjusted underlying revenue" means total income other than—

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

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

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

"population" means the municipal population estimate, as per Australian Bureau of Statistics – Catalogue 3218.0 Population Estimates by Local Government Area

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

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

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

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

Service Performance Indicators

For the year ended 30 June 2019

Service/ <i>indicator/measure</i>	Results				Material Variations
	2016	2017	2018	2019	
Aquatic Facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	7.14	7.98	8.81	8.68	This number remains steady, with an increase in visitation at outdoor pools offset by slightly decreased visitation to Council's indoor facilities.
[Number of visits to aquatic facilities / Municipal population]					
Animal Management					
Health and safety					
<i>Animal management prosecutions</i>	3	0	0	0	There were no animal management prosecutions during 2019.
[Number of successful animal management prosecutions]					
Food Safety					
Health and safety					
<i>Critical and major non-compliance outcome notifications</i>	0.00%	86.96%	100.00%	95.00%	There were 20 critical or major non-compliance outcome notifications issued in 2018/2019 with 19 of these being actioned. Council places high importance on ensuring critical and major non-compliance issues are responded to. This performance is consistent with the state wide average.

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
[Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance outcome notifications and major non-compliance notifications about a food premises] x100					
Governance					
Satisfaction					
<i>Satisfaction with Council decisions</i>	48	50	33	46	Council has placed a strong focus on consulting the community in regard to decisions made in their best interests. While the improvement is encouraging, Council is committed to continuously improving in this area.
[Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]					
Home and Community Care (HACC)					
Participation					
<i>Participation in HACC service</i>	29.96%	N/A	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of people that received a HACC service / Municipal target population for HACC services] x100					
Participation					
<i>Participation in HACC service by CALD people</i>	12.99%	N/A	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100					
Libraries					
Participation					

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
Active library members	14.55%	14.59%	12.78%	13.59%	The community continues to have high engagement levels with the library service. Active library membership is marginally higher than 2017/2018.
[Number of active library members / Municipal population] x100					
Maternal and Child Health (MCH)					
Participation					
Participation in the MCH service	68.47%	81.74%	79.62%	79.56%	Participation levels remain consistent, with Council continuing to review engagement practices within the maternal and child health service to increase participation rates.
[Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100					
Participation					
Participation in the MCH service by Aboriginal children	55.00%	72.73%	83.33%	84.62%	Council has 13 Aboriginal children enrolled in the maternal and child health service with 2 children having not attended in the last 12 months. Such low numbers creates sensitivity when reporting in percentages, however attendance is steady with last year's performance.
[Number of Aboriginal children who attend the MCH service at least once (in the year) / Number of Aboriginal children enrolled in the MCH service] x100					
Roads					
Satisfaction					
Satisfaction with sealed local roads	54	51	43	50	This result reflects an improvement in the community satisfaction of Council's local roads compared to recent years. It is envisaged that the ongoing investment in road renewal outlined in Council's budget 2019/2020 will continue to improve community satisfaction in the longer term.
[Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]					

Service/indicator/measure	Results				Material Variations
	2016	2017	2018	2019	
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i>	100%	50%	0%	0%	There were no planning decisions made during the year that required reviewing by VCAT.
[Number of VCAT decisions that did not set aside Council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100					
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	25.95%	23.66%	24.86%	25.95%	This result is consistent with the previous four years. Council is working with contractors, neighbouring Councils and the waste and resource recovery group to establish opportunities for reducing the amount of waste being sent to landfill
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Definitions

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

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

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

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

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

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

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

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

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

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

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

"population" means the municipal population estimate, as per Australian Bureau of Statistics – Catalogue 3218.0 Population Estimates by Local Government Area

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

Financial Performance Indicators

For the year ended 30 June

Dimension/indicator/measure	Results			Forecasts					Material Variations and Comments
	2016	2017	2018	2019	2020	2021	2022	2023	
Efficiency									
Revenue level									
<i>Average residential rate per residential property assessment</i>	\$1,745.81	\$1,769.60	\$1,823.40	\$1,777.60	\$1,843.40	\$1,890.20	\$1,938.00	\$1,987.00	The average residential rate was lower in 2019 due to the 2018 revaluation where farm valuations increased by 24.5%; and changes to the differential rates applying to Commercial and Industrial assessments.
[Residential rate revenue / Number of residential property assessments]									
Expenditure level									
<i>Expenses per property assessment</i>	\$3,719.51	\$4,029.29	\$4,252.86	\$4,312.14	\$4,074.14	\$3,902.00	\$3,955.57	\$4,050.71	
[Total expenses / Number of property assessments]									
Workforce turnover									
<i>Resignations and terminations compared to average staff</i>	8.94%	7.20%	13.82%	10.37%	10.41%	10.81%	7.87%	7.87%	There was an abnormally high number of resignations in 2018.
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100									
Liquidity									

Dimension/indicator/measure	Results			Forecasts					Material Variations and Comments
	2016	2017	2018	2019	2020	2021	2022	2023	
Loans and borrowings									
<i>Loans and borrowings compared to rates</i>	13.10%	12.50%	12.35%	17.79%	16.41%	15.34%	3.28%	2.45%	The result for 2019 includes a new loan of \$1 million and 2022 includes the repayment of another loan of \$2 million.
[Interest bearing loans and borrowings / Rate revenue] x100									
<i>Loans and borrowings repayments compared to rates</i>	1.02%	0.58%	0.75%	0.78%	1.64%	1.41%	12.38%	0.86%	The forecast figure in 2022 includes the repayment of a \$2 million loan.
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									
Indebtedness									
<i>Non-current liabilities compared to own source revenue</i>	12.51%	12.01%	12.42%	16.51%	15.82%	4.64%	3.84%	3.04%	The result for 2019 includes a new loan of \$1 million and 2022 includes the repayment of another loan of \$2 million.
[Non-current liabilities / Own source revenue] x100									
Operating position									
Adjusted underlying result									
<i>Adjusted underlying surplus (or deficit)</i>	-13.97%	3.90%	-5.69%	-0.66%	-0.82%	4.90%	5.06%	4.26%	Council received a \$1.5 million non-recurrent grant for Natural Disaster Relief in 2018/19. There is no allowance for non-recurrent capital grants from 2021 to 2023.

Dimension/indicator/measure	Results					Forecasts			Material Variations and Comments
	2016	2017	2018	2019	2020	2021	2022	2023	
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue</i>	65.74%	54.52%	59.04%	56.78%	61.80%	62.08%	62.36%	62.64%	
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
<i>Rates compared to property values</i>	0.69%	0.68%	0.71%	0.62%	0.61%	0.61%	0.61%	0.61%	The 2018 revaluation of all properties has resulted in a 12.04% variance in 2019.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Definitions

"adjusted underlying revenue" means total income other than—

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

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

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

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

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

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

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

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

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

"population" means the municipal population estimate, as per Australian Bureau of Statistics – Catalogue 3218.0 Population Estimates by Local Government Area

"rate revenue" means revenue from general rates, municipal charges, service rates and service charges

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

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

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

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

Other Information

For the year ended 30 June 2019

1. Basis of preparation

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

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

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

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 25 June 2019 and which forms part of the Council plan. The strategic resource plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.

Certification of the Performance Statement

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

Alistair Rowe
Principal Accounting Officer
Dated: 11 September 2018

In our opinion, the accompanying performance statement of the Ararat Rural City Council for the year ended 30 June 2019 presents fairly the results of Council's performance in accordance with the *Local Government Act 1989* and the Local Government (Planning and Reporting) Regulations 2014.

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

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

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

Peter Beales
Mayor
Dated: 17 September 2019

Jo Armstrong
Councillor
Dated: 17 September 2019

Dr. Tim Harrison
Chief Executive Officer
Dated: 17 September 2019