

Ararat Rural City Council  
ANNUAL FINANCIAL REPORT

*For the Year Ended 30 June 2020*

**Ararat Rural City Council**  
**Financial Report**  
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## 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 2020 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.

*Jo Armstrong*  
**Mayor**  
Date : <Date>  
*Ararat*

*Bill Bralithwaite*  
**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 2020

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	17,766	17,025
Statutory fees and fines	3.2	169	246
User fees	3.3	1,233	1,298
Grants - operating	3.4	8,061	9,537
Grants - capital	3.4	4,874	5,242
Contributions - monetary	3.5	583	287
Net gain on disposal of property, infrastructure, plant and equipment	3.6	-	87
Fair value adjustments for investment property	6.2	-	15
Other income	3.7	366	447
<b>Total income</b>		<b>33,052</b>	<b>34,184</b>
<b>Expenses</b>			
Employee costs	4.1	11,378	11,637
Materials and services	4.2	8,760	8,986
Depreciation	4.3	9,277	9,135
Bad and doubtful debts	4.4	-	1
Borrowing costs	4.5	120	100
Finance costs - leases	4.6	4	8
Net loss on disposal of property, infrastructure, plant and equipment	3.6	408	-
Fair value adjustments for investment property	6.2	6	-
Other expenses	4.7	285	318
<b>Total expenses</b>		<b>30,238</b>	<b>30,185</b>
<b>Surplus/(deficit) for the year</b>		<b>2,814</b>	<b>3,999</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.1	(275)	-
<b>Total comprehensive result</b>		<b>2,539</b>	<b>3,999</b>

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

Balance Sheet  
As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	19,533	19,326
Trade and other receivables	5.1	2,697	3,118
Inventories	5.2	76	63
Other assets	5.2	14	3
<b>Total current assets</b>		<b>22,320</b>	<b>22,510</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1	14	16
Property, infrastructure, plant and equipment	6.1	224,517	223,379
Investment property	6.2	1,315	1,321
<b>Total non-current assets</b>		<b>225,846</b>	<b>224,716</b>
<b>Total assets</b>		<b>248,166</b>	<b>247,226</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	1,379	1,283
Trust funds and deposits	5.3	288	1,291
Unearned income	5.3	1,219	-
Provisions	5.5	2,613	2,606
Interest-bearing liabilities	5.4	135	130
Lease liabilities	5.7	-	28
<b>Total current liabilities</b>		<b>5,634</b>	<b>5,338</b>
<b>Non-current liabilities</b>			
Provisions	5.5	282	286
Interest-bearing liabilities	5.4	2,735	2,870
<b>Total non-current liabilities</b>		<b>3,017</b>	<b>3,156</b>
<b>Total liabilities</b>		<b>8,651</b>	<b>8,494</b>
<b>Net assets</b>		<b>239,515</b>	<b>238,732</b>
<b>Equity</b>			
Accumulated surplus		75,974	75,610
Reserves	9.1	163,541	163,122
<b>Total Equity</b>		<b>239,515</b>	<b>238,732</b>

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

Statement of Changes in Equity  
For the Year Ended 30 June 2020

2020	Note	Accumulated		Revaluation	Other
		Total \$'000	Surplus \$'000	Reserve \$'000	Reserves \$'000
Balance at beginning of the financial year		238,732	75,610	145,293	17,829
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	(97)	(97)	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	(1,659)	(1,659)	-	-
Adjusted Opening balance		<u>236,976</u>	<u>73,854</u>	<u>145,293</u>	<u>17,829</u>
Surplus/(deficit) for the year		2,814	2,814	-	-
Net asset revaluation increment/(decrement)	6.1	(275)	-	(275)	-
Transfers to other reserves	9.1	-	(9,358)	-	9,358
Transfers from other reserves	9.1	-	8,664	-	(8,664)
<b>Balance at end of the financial year</b>		<b><u>239,515</u></b>	<b><u>75,974</u></b>	<b><u>145,018</u></b>	<b><u>18,523</u></b>

2019		Accumulated		Revaluation	Other
		Total \$'000	Surplus \$'000	Reserve \$'000	Reserves \$'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)
<b>Balance at end of the financial year</b>		<b><u>238,732</u></b>	<b><u>75,610</u></b>	<b><u>145,293</u></b>	<b><u>17,829</u></b>

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 2020

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		17,495	17,130
Statutory fees and fines		170	246
User fees		1,768	1,782
Grants - operating		7,922	9,522
Grants - capital		4,836	4,354
Contributions - monetary		643	318
Interest received		239	295
Trust funds and deposits taken		202	1,185
Other receipts		139	167
Net GST refund/payment		1,719	1,745
Employee costs		(11,411)	(11,687)
Materials and services		(10,642)	(10,505)
Short-term lease payments		(29)	-
Trust funds and deposits repaid		(1,204)	(261)
Other payments		(289)	(328)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b>11,558</b>	<b>13,963</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.1	(11,502)	(11,633)
Proceeds from sale of property, infrastructure, plant and equipment		405	424
<b>Net cash provided by/(used in) investing activities</b>		<b>(11,097)</b>	<b>(11,209)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(120)	(100)
Proceeds from borrowings		-	1,000
Repayment of borrowings		(130)	-
Interest paid - lease liability		(4)	(8)
Repayment of lease liabilities		-	(25)
<b>Net cash provided by/(used in) financing activities</b>		<b>(254)</b>	<b>867</b>
Net increase/(decrease) in cash and cash equivalents		207	3,621
Cash and cash equivalents at the beginning of the financial year		19,326	15,705
<b>Cash and cash equivalents at the end of the financial year</b>	5.1	<b>19,533</b>	<b>19,326</b>
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 2020

	2020 \$'000	2019 \$'000
<b>Property</b>		
Land	5	-
Buildings	2,066	3,025
<b>Total property</b>	<b>2,071</b>	<b>3,025</b>
<b>Plant and equipment</b>		
Plant, machinery and equipment	358	1,734
Fixtures, fittings and furniture	27	26
Library books	45	40
<b>Total plant and equipment</b>	<b>430</b>	<b>1,800</b>
<b>Infrastructure</b>		
Roads	7,611	5,776
Bridges	1,181	688
Footpaths and cycleways	155	170
Drainage	54	174
<b>Total infrastructure</b>	<b>9,001</b>	<b>6,808</b>
<b>Total capital works expenditure</b>	<b>11,502</b>	<b>11,633</b>
<b>Represented by:</b>		
New asset expenditure	547	1,407
Asset renewal expenditure	8,034	8,580
Asset upgrade expenditure	2,921	1,646
<b>Total capital works expenditure</b>	<b>11,502</b>	<b>11,633</b>

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 AAS's that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 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)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3.4)
- the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.7)

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 (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), 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.

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 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
<b>Income</b>					
Rates and charges	17,480	17,766	286	2%	1
Statutory fees and fines	305	169	(136)	-45%	
User fees	1,014	1,233	219	22%	
Grants - operating	7,501	8,061	560	7%	2
Grants - capital	4,830	4,874	44	1%	
Contributions - monetary	107	583	476	445%	3
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	62	(408)	(470)	-758%	4
Fair value adjustments for investment property	-	(6)	(6)	-100%	
Other income	434	366	(68)	-16%	
<b>Total income</b>	<b>31,733</b>	<b>32,638</b>	<b>905</b>	<b>3%</b>	
<b>Expenses</b>					
Employee costs	11,551	11,378	(173)	-1%	
Materials and services	7,890	8,760	870	11%	5
Depreciation	8,610	9,277	667	8%	6
Borrowing costs	124	120	(4)	-3%	
Finance costs - Leases	4	4	-	0%	
Other expenses	340	285	(55)	-16%	
<b>Total expenses</b>	<b>28,519</b>	<b>29,824</b>	<b>1,305</b>	<b>5%</b>	
<b>Surplus/(deficit) for the year</b>	<b>3,214</b>	<b>2,814</b>	<b>(400)</b>	<b>-12%</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Council changed the definition of the farm rate so a number of rate assessments that were previously rated as farm were no longer eligible to receive the reduced farm differential rate.
2	Grants - operating	<p>Council received Natural Disaster Relief funding of \$0.080 million to offset the expenditure incurred as a result of storm damage in September 2016. Changes to the accounting standards have resulted in \$0.250 million in operating grants recognised as income in the 2018-19 financial year also being recognised as income in 2019-20 due to the performance obligations not being met.</p> <p>Council was successful in obtaining several grants that had not been budgeted for, including Working for Victoria funding of \$0.078 million and a number of minor grants less than \$0.050 million.</p>
3	Contributions - monetary	Council received \$0.420 million from Pyrenees Shire Council towards the upgrade of the Elmhurst-Landsborough Bridge.
4	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	A number of assets were disposed of during the year, including the sale of two blocks of industrial land, the sale of plant and equipment, and the demolition of several minor buildings associated with the Ararat Active Link projects at the Alexandra Gardens and Alexandra Oval.
5	Materials and services	<p>Council spent a total of \$1.634 million to complete the upgrade of the Elmhurst-Landsborough Bridge. Since the asset is shared with Pyrenees Shire Council, only half the expenditure has been treated as capital works, with the remaining expenditure included in materials and services. Council received a contribution from Pyrenees Shire Council, as well as a government grant to cover the materials and services expenditure.</p> <p>The increase in materials and expenditure also includes several projects funded from income carried forward from the previous year.</p>
6	Depreciation	Council did not allow enough in the budget. The actual amount of \$9.277 million for 2020 compares with the actual amount of \$9.135 million for 2019.

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
<b>Property</b>					
Land	-	5	5	100%	
Buildings	3,753	2,066	(1,687)	-45%	1
<b>Total property</b>	<b>3,753</b>	<b>2,071</b>	<b>(1,682)</b>	<b>-45%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,192	358	(834)	-70%	2
Fixtures, fittings and furniture	25	27	2	8%	
Library books	40	45	5	13%	
<b>Total plant and equipment</b>	<b>1,257</b>	<b>430</b>	<b>(827)</b>	<b>-66%</b>	
<b>Infrastructure</b>					
Roads	8,420	7,611	(809)	-10%	3
Bridges	909	1,181	272	30%	4
Footpaths and cycleways	160	155	(5)	-3%	
Drainage	190	54	(136)	-72%	
<b>Total infrastructure</b>	<b>9,679</b>	<b>9,001</b>	<b>(678)</b>	<b>-7%</b>	
<b>Total capital works expenditure</b>	<b>14,689</b>	<b>11,502</b>	<b>(3,187)</b>	<b>-22%</b>	
<b>Represented by:</b>					
New asset expenditure	814	547	(267)	-33%	5
Asset renewal expenditure	10,191	8,034	(2,157)	-21%	6
Asset upgrade expenditure	3,684	2,921	(763)	-21%	7
<b>Total capital works expenditure</b>	<b>14,689</b>	<b>11,502</b>	<b>(3,187)</b>	<b>-22%</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	The budget included the Ararat Active Link/ Ararat on the Move projects which had not been completed by 30 June 2020, due to social distancing requirements under Covid-19 and limited access to materials. The projects are still meeting the deadlines of external funding providers.
2	Plant, machinery and equipment	The replacement of several major plant items have been held over to future years.
3	Roads	Two road reconstruction projects on Helendoite and Tatyoon North Road, and Leatherwood Drive were not completed at 30 June 2020, due to unseasonal weather conditions, social distancing requirements under Covid-19 and unforeseen construction difficulties.
4	Bridges	Council completed the Elmhurst-Landsborough Bridge which had been included in the previous year budget. Several bridge works, including Pollands Bridge, from the 2019/20 budget had not been completed by 30 June 2020.
5	New asset expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
6	Asset renewal expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.
7	Asset expansion expenditure	The apportionment between new, renewal and upgrade has been reassessed during the financial year.

**Note 2 Analysis of Council results by program**

Council delivers its functions and activities through the following programs.

**2 (a) 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 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 include 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 consultancies, communications and promotion, economic development, tourism, human resources and emergency management.

**Governance**

This service includes Mayor, Councillors and executive support and provides statutory and corporate support services to Council. The service includes Council elections, subscriptions, insurances, legal expenses, support of civic functions, ceremonies and events, hospitality management and coordination of arrangements for Council and workshop meetings.

**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 (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
<b>2020</b>					
Planning, Community & Compliance	5,706	(8,091)	(2,385)	2,221	12,936
Arts, Culture & Heritage	290	(1,077)	(787)	196	8,424
Infrastructure Services	6,800	(16,763)	(9,963)	6,502	201,420
Corporate Services	19,777	247	20,024	3,808	25,386
CEO'S Office	460	(2,135)	(1,675)	208	-
Governance	1	(788)	(787)	-	-
Business Transformation	18	(1,631)	(1,613)	-	-
	<b>33,052</b>	<b>(30,238)</b>	<b>2,814</b>	<b>12,935</b>	<b>248,166</b>

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
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	30	(1,812)	(1,782)	4	-
Governance	1	(668)	(667)	-	-
Business Transformation	12	(2,170)	(2,158)	-	-
	<b>34,184</b>	<b>(30,185)</b>	<b>3,999</b>	<b>14,779</b>	<b>247,226</b>



<b>Note 3 Funding for the delivery of our services</b>	<b>2020</b>	<b>2019</b>
<b>3.1 Rates and charges</b>	<b>\$'000</b>	<b>\$'000</b>

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 2019.

The valuation base used to calculate general rates for 2019/20 was \$2.860 billion (2018/19 \$2.754 billion). The 2019/20 rate in the Capital Improved Valuation dollar was General 0.6597, Farm 0.3628, Commercial 0.8246, and Industrial 0.8246 (2018/19 General 0.6597, Farm 0.3628, Commercial 0.8246, and Industrial 0.8246).

General	7,207	6,510
Commercial	988	966
Industrial	252	242
Farm	5,868	5,964
Municipal charge	612	595
Council pensioner rebate	-	(1)
Garbage charge	1,693	1,644
Recycling charge	527	513
Interest on rates and charges	133	118
Revenue in lieu of rates	486	474
<b>Total rates and charges</b>	<b>17,766</b>	<b>17,025</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2020, and the valuation will be first applied in the rating year commencing 1 July 2020.

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	10	12
Town planning fees	88	93
Land information certificates	13	13
Permits	58	128
<b>Total statutory fees and fines</b>	<b>169</b>	<b>246</b>

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	250	270
Leisure centre and recreation	217	-
Child care/children's programs	5	11
Parking	43	73
Registration and other permits	137	136
Building services	41	53
Waste management services	238	245
Gum San Museum/Great Hall charges	44	61
Ararat Town Hall charges	56	71
Visitor Information Centre	18	24
Alexandra Oval	48	91
Road occupancy	18	12
Valuation fees	-	92
Private works	42	50
Other fees and charges	76	109
<b>Total user fees</b>	<b>1,233</b>	<b>1,298</b>

#### User fees by timing of revenue recognition

User fees recognised at a point in time	1,233	1,298
<b>Total user fees</b>	<b>1,233</b>	<b>1,298</b>

User fees are recognised as revenue at a point in time, or over time, when (or as) the performance obligation is satisfied. Recognition is based on the underlying contractual terms.

	2020	2019
	\$'000	\$'000
<b>3.4 Funding from other levels of government</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	9,249	9,297
State funded grants	3,686	5,482
<b>Total grants received</b>	<b>12,935</b>	<b>14,779</b>
<b>(a) Operating Grants</b>		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	6,073	6,110
General home care	475	451
Recreation	3	-
<i>Recurrent - State Government</i>		
Aged care	152	152
School crossing supervisors	12	12
Libraries	139	135
Maternal and child health	255	223
Environment	9	15
Culture	140	140
<b>Total recurrent operating grants</b>	<b>7,258</b>	<b>7,238</b>
<i>Non-recurrent - Commonwealth Government</i>		
Natural disaster	80	1,503
<i>Non-recurrent - State Government</i>		
Community development	49	145
Environment	182	96
Employment	84	12
Planning and development	65	66
Culture	56	166
Natural disaster	94	60
Administration	42	41
Recreation	151	210
<b>Total non-recurrent operating grants</b>	<b>803</b>	<b>2,299</b>
<b>Total operating grants</b>	<b>8,061</b>	<b>9,537</b>
<b>(b) Capital Grants</b>	<b>\$'000</b>	<b>\$'000</b>
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,318	1,044
<b>Total recurrent capital grants</b>	<b>1,318</b>	<b>1,044</b>
<i>Non-recurrent - Commonwealth Government</i>		
Buildings	25	189
Transport	1,275	-
<i>Non-recurrent - State Government</i>		
Transport	1,270	1,333
Buildings	-	1,800
Plant, machinery and equipment	2	-
Recreation	984	876
<b>Total non-recurrent capital grants</b>	<b>3,556</b>	<b>4,198</b>
<b>Total capital grants</b>	<b>4,874</b>	<b>5,242</b>

	2020	2019
	\$'000	\$'000
(c) Unspent grants received on condition that they be spent in a specific manner		
<i>Operating</i>		
Balance at start of year	386	267
Received during the financial year and remained unspent at balance date	370	339
Received in prior years and spent during the financial year	(370)	(220)
Balance at year end	<u>386</u>	<u>386</u>
<i>Capital</i>		
Balance at start of year	1,393	982
Received during the financial year and remained unspent at balance date	625	1,393
Received in prior years and spent during the financial year	(1,185)	(982)
Balance at year end	<u>833</u>	<u>1,393</u>

Grant income is recognised at the point in time when the council satisfies its performance obligations as specified in the underlying agreement.

### 3.5 Contributions

Monetary	583	287
<b>Total contributions</b>	<u>583</u>	<u>287</u>

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	405	424
Written down value of assets disposed	(813)	(337)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(408)</u>	<u>87</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	239	295
Investment property rental	127	126
Insurance recoveries	-	26
<b>Total other income</b>	<u>366</u>	<u>447</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.

	2020	2019
	\$'000	\$'000
<b>Note 4 The cost of delivering services</b>		
<b>4.1 (a) Employee costs</b>		
Wages and salaries	10,019	10,329
WorkCover	349	303
Superannuation	919	899
Fringe benefits tax	91	106
<b>Total employee costs</b>	<u>11,378</u>	<u>11,637</u>
<b>(b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	63	71
	<u>63</u>	<u>71</u>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	712	747
Employer contributions - other funds	144	81
	<u>856</u>	<u>828</u>
Employer contributions payable at reporting date.	-	-
Refer to note 9.3 for further information relating to Council's superannuation obligations.		
<b>4.2 Materials and services</b>		
Materials and services	5,486	5,211
Contract payments	1,248	1,646
Plant and equipment maintenance	1,199	1,279
Utilities	560	533
Consultants	267	317
<b>Total materials and services</b>	<u>8,760</u>	<u>8,986</u>
<b>4.3 Depreciation</b>		
Property	1,480	1,353
Plant and equipment	700	808
Infrastructure	7,097	6,974
<b>Total depreciation</b>	<u>9,277</u>	<u>9,135</u>
<i>Refer to note 6.1 for a more detailed breakdown of depreciation charges and accounting policy.</i>		

	2020	2019
	\$'000	\$'000
<b>4.4 Bad and doubtful debts</b>		
Other debtors	-	1
<b>Total bad and doubtful debts</b>	<b>-</b>	<b>1</b>

Bad debts are written off when identified.

#### 4.5 Borrowing costs

Interest - Borrowings	120	100
<b>Total borrowing costs</b>	<b>120</b>	<b>100</b>

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 Finance Costs - Leases

Interest - Lease Liabilities	4	8
<b>Total finance costs</b>	<b>4</b>	<b>8</b>

#### 4.7 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	41	43
Auditors' remuneration - Internal	34	55
Councillors' allowances	210	220
<b>Total other expenses</b>	<b>285</b>	<b>318</b>

### Note 5 Our financial position

#### 5.1 Financial assets

##### (a) Cash and cash equivalents

Cash on hand	4	3
Cash at bank	423	236
Term deposits	19,106	19,087
<b>Total cash and cash equivalents</b>	<b>19,533</b>	<b>19,326</b>
<b>Total financial assets</b>	<b>19,533</b>	<b>19,326</b>

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)	288	1,291
Total restricted funds	288	1,291
Total unrestricted cash and cash equivalents	19,245	18,035

##### (b) 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	8,286	7,468
- other reserve funds allocated for specific future purposes	10,237	10,361
<b>Total funds subject to intended allocations (Note 9.1(b))</b>	<b>18,523</b>	<b>17,829</b>

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.

	2020	2019
	\$'000	\$'000
(c) Trade and other receivables		
<b>Current</b>		
<i>Statutory receivables</i>		
Rates debtors	1,700	1,429
<i>Non statutory receivables</i>		
Other debtors	997	1,689
Total current trade and other receivables	<u>2,697</u>	<u>3,118</u>
<b>Non-current</b>		
<i>Statutory receivables</i>		
Special rate scheme	14	16
Total non-current trade and other receivables	<u>14</u>	<u>16</u>
<b>Total trade and other receivables</b>	<u>2,711</u>	<u>3,134</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.

**(d) 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)	459	1,566
Past due by up to 30 days	530	50
Past due between 31 and 180 days	3	16
Past due between 181 and 365 days	5	57
Total trade and other receivables	<u>997</u>	<u>1,689</u>

5.2 Non-financial assets	2020	2019
(a) Inventories	\$'000	\$'000
Inventories held for sale	51	41
Inventories held for distribution	25	22
<b>Total inventories</b>	<b>76</b>	<b>63</b>

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	14	3
<b>Total other assets</b>	<b>14</b>	<b>3</b>

**5.3 Payables**

**(a) Trade and other payables**

Trade payables	1,049	891
Accrued expenses	330	392
<b>Total trade and other payables</b>	<b>1,379</b>	<b>1,283</b>

**(b) Trust funds and deposits**

Refundable deposits	93	93
Fire services levy	9	1,078
Retention amounts	153	82
Other refundable deposits	33	38
<b>Total trust funds and deposits</b>	<b>288</b>	<b>1,291</b>

**(c) Unearned income**

Grants received in advance - operating	386	-
Grants received in advance - capital	833	-
<b>Total unearned income</b>	<b>1,219</b>	<b>-</b>

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.

5.4 Interest-bearing liabilities	2020 \$'000	2019 \$'000
<b>Current</b>		
Borrowings - secured	135	130
	<u>135</u>	<u>130</u>
<b>Non-current</b>		
Borrowings - secured	2,735	2,870
	<u>2,735</u>	<u>2,870</u>
<b>Total</b>	<u>2,870</u>	<u>3,000</u>

Borrowings are secured over Council's rates

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

Not later than one year	135	130
Later than one year and not later than five years	2,579	2,564
Later than five years	156	306
	<u>2,870</u>	<u>3,000</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.

#### 5.5 Provisions

##### (a) Employee provisions

###### Current provisions expected to be wholly settled within 12

Annual leave	671	697
Other leave	64	67
	<u>735</u>	<u>764</u>

###### Current provisions expected to be wholly settled after 12

Annual leave	204	186
Long service leave	1,674	1,656
	<u>1,878</u>	<u>1,842</u>
Total current employee provisions	<u>2,613</u>	<u>2,606</u>

##### Non-current

Long service leave	282	286
Total non-current employee provisions	<u>282</u>	<u>286</u>

Aggregate carrying amount of employee provisions:

Current	2,613	2,606
Non-current	282	286
Total aggregate carrying amount of employee provisions	<u>2,895</u>	<u>2,892</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	0.57%	1.15%
- index rate	4.25%	4.31%



#### 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 inclusive of the GST payable.

	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2020</b>					
<b>Operating</b>					
Recycling	304	-	-	-	304
Garbage collection	495	-	-	-	495
Consultancies	18	-	-	-	18
Information technology	51	-	-	-	51
Meals for delivery	77	-	-	-	77
<b>Total</b>	<b>945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>945</b>
<b>Capital</b>					
Buildings	1,170	-	-	-	1,170
Roads	890	-	-	-	890
<b>Total</b>	<b>2,060</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,060</b>
<b>2019</b>					
<b>Operating</b>					
Recycling	301	-	-	-	301
Garbage collection	486	-	-	-	486
Consultancies	55	-	-	-	55
Information technology	6	-	-	-	6
Recreation facilities management	473	-	-	-	473
Meals for delivery	91	-	-	-	91
<b>Total</b>	<b>1,412</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,412</b>
<b>Capital</b>					
Buildings	279	-	-	-	279
Roads	77	-	-	-	77
<b>Total</b>	<b>356</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>356</b>

5.7 Leases

**Policy applicable before 1 July 2019**

As a lessee, council classifies leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to council.

Operating lease payments, including any contingent rentals, were recognised as an expense in the comprehensive income statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset was not recognised in the balance sheet.

**Policy applicable after 1 July 2019**

Council has applied *AASB 16 Leases* using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information.

On transition to *AASB 16 Leases*, Council elected to apply the practical expedient to 'grandfather' the assessment of which transactions are leases. The council has applied this practical expedient to all of its contracts and therefore applied *AASB 16 Leases* only to contracts that were previously identified as leases.

At inception of a contract, all entities would assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To identify whether a contract conveys the right to control the use of an identified asset, it is necessary to assess whether:

- The contract involves the use of an identified asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

**Short-term leases**

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020 \$'000
Expenses relating to:	
Short-term leases	28
<b>Total</b>	<b>28</b>

**Impact on financial statements**

On transition to *AASB 16 Leases*, Council held a lease which was expiring in less than 12 months and elected to account for the lease as a short-term lease. As such there was no impact requiring any adjustment to assets, liabilities or retained earnings on the adoption of *AASB 16 Leases*.

	2019 \$'000
Operating lease commitment at 30 June 2019 as disclosed in Council's financial statements	28
Finance lease liability recognised as at 30 June 2019	28
- Recognition exemption for: short-term leases	(28)
- Lease liabilities recognised as at 1 July 2019	-

Note 6 Assets we manage

6.1 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	58,133	834	-	(275)	(1,480)	(250)	(299)	111	56,774
Plant and equipment	7,961	430	-	-	(700)	(256)	(7)	-	7,428
Infrastructure	155,595	6,945	-	-	(7,097)	-	-	1,485	156,928
Work in progress	1,690	3,293	-	-	-	-	-	(1,596)	3,387
	<b>223,379</b>	<b>11,502</b>	<b>-</b>	<b>(275)</b>	<b>(9,277)</b>	<b>(506)</b>	<b>(306)</b>	<b>-</b>	<b>224,517</b>

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	205	1,237	-	(111)	1,331
Infrastructure	1,485	2,056	-	(1,485)	2,056
Total	<b>1,690</b>	<b>3,293</b>	<b>-</b>	<b>(1,596)</b>	<b>3,387</b>

Notes to the Financial Report  
For the Year Ended 30 June 2020

(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 2019	6,482	6,477	233	13,192	55,354	51,389	106,743	205	120,140
Accumulated depreciation at 1 July 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
<b>Movements in fair value</b>									
Additions	5	-	-	5	668	161	829	1,237	2,071
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	143	87	10	240	4,947	(353)	4,594	-	4,834
Disposal	(250)	-	-	(250)	-	-	-	-	(250)
Write-off	-	-	-	-	(90)	(1,168)	(1,258)	-	(1,258)
Transfers	-	-	-	-	74	37	111	(111)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	(102)	87	10	(5)	5,599	(1,323)	4,276	1,126	5,397
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(869)	(611)	(1,480)	-	(1,480)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	(2,833)	(2,276)	(5,109)	-	(5,109)
Write-off	-	-	-	-	34	925	959	-	959
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(3,668)	(1,962)	(5,630)	-	(5,630)
At fair value 30 June 2020	6,380	6,564	243	13,187	60,953	50,066	111,019	1,331	125,537
Accumulated depreciation at 30 June 2020	-	-	-	-	(38,591)	(28,841)	(67,432)	-	(67,432)
	6,380	6,564	243	13,187	22,362	21,225	43,587	1,331	58,105

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

(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 2019	9,220	1,139	1,185	1,811	13,355
Accumulated depreciation at 1 July 2019	(3,914)	(647)	(833)	-	(5,394)
	5,306	492	352	1,811	7,961
<b>Movements in fair value</b>					
Additions	358	27	45	-	430
Contributions	-	-	-	-	-
Revaluation	-	-	-	-	-
Disposal	(509)	-	-	-	(509)
Write-off	-	(118)	-	-	(118)
Transfers	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-
	(151)	(91)	45	-	(197)
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(579)	(101)	(20)	-	(700)
Accumulated depreciation of disposals	253	-	-	-	253
Impairment losses recognised in operating result	-	-	-	-	-
Write-off	-	111	-	-	111
Transfers	-	-	-	-	-
	(326)	10	(20)	-	(336)
At fair value 30 June 2020	9,069	1,048	1,230	1,811	13,158
Accumulated depreciation at 30 June 2020	(4,240)	(637)	(853)	-	(5,730)
	4,829	411	377	1,811	7,428

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	254,845	42,206	12,506	12,689	1,485	323,731
Accumulated depreciation at 1 July 2019	(134,802)	(18,106)	(7,081)	(6,662)	-	(166,651)
	120,043	24,100	5,425	6,027	1,485	157,080
<b>Movements in fair value</b>						
Additions	5,864	872	155	54	2,056	9,001
Contributions	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Write-off	-	-	-	-	-	-
Transfers	1,437	48	-	-	(1,485)	-
Impairment losses recognised in operating result	-	-	-	-	-	-
	7,301	920	155	54	571	9,001
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	(6,379)	(386)	(173)	(159)	-	(7,097)
Accumulated depreciation of disposals	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
	(6,379)	(386)	(173)	(159)	-	(7,097)
At fair value 30 June 2020	262,146	43,126	12,661	12,743	2,056	332,732
Accumulated depreciation at 30 June 2020	(141,181)	(18,492)	(7,254)	(6,821)	-	(173,748)
	120,965	24,634	5,407	5,922	2,056	158,984

*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. 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
		\$
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	10,000
land under roads	-	10,000
Buildings		
buildings	25 - 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 and amortisation*

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.

*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 2020 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	5,168	-	Jun-20
Specialised land	-	-	8,019	Jun-20
Buildings	-	1,100	42,487	Jun-20
Total	-	6,268	50,506	

**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 2020 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	120,965	Jun-18
Bridges	-	-	24,634	Jun-18
Footpaths and cycleways	-	-	5,407	Jun-18
Drainage	-	-	5,922	Jun-18
Total	-	-	156,928	

**Description of significant unobservable inputs into level 3 valuations**

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 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.

	2020	2019
	\$'000	\$'000
Reconciliation of specialised land		
Land under roads	243	233
Parks and reserves	7,776	7,695
Total specialised land	8,019	7,928



	2020	2019
	\$'000	\$'000
6.2 Investment property		
Balance at beginning of financial year	1,321	1,306
Fair value adjustments	(6)	15
Balance at end of financial year	<u>1,315</u>	<u>1,321</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.

	2020	2019
<b>Note 7 People and relationships</b>	<b>No.</b>	<b>No.</b>
<b>7.1 Council and key management remuneration</b>		
<b>(a) Related Parties</b>		
<i>Parent entity</i>		
Ararat Rural City Council is the parent entity.		
<b>(b) Key Management Personnel</b>		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
<b>Councillors</b>		
Councillor Peter Beales (Mayor to 29/10/19)		
Councillor Jo Armstrong (Mayor from 29/10/19)		
Councillor Gwenda Allgood		
Councillor David Pettman (to 03/04/20)		
Councillor Bill Braithwaite		
Councillor Fay Hull		
Councillor Frank Deutsch		
Councillor Bernardine Atkinson (from 11/05/20)		
Chief Executive Officer - Dr Tim Harrison		
Manager Organisation Transformation		
Manager Planning, Community & Compliance		
Manager Corporate Support		
Executive Officer		
<b>Total Number of Councillors</b>	<b>8</b>	<b>7</b>
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	<b>5</b>	<b>10</b>
<b>Total Number of Key Management Personnel</b>	<b>13</b>	<b>17</b>
<b>(c) Remuneration of Key Management Personnel</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Total remuneration of key management personnel was as follows:		
Short-term benefits	984	1,125
Long-term benefits	27	-
Post employment benefits	89	103
Termination benefits	71	374
<b>Total</b>	<b>1,171</b>	<b>1,602</b>
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
\$0 - \$9,999	1	-
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	4	6
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	1
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	-	1
\$140,000 - \$149,999	-	1
\$150,000 - \$159,999	1	-
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	2	-
\$210,000 - \$219,999	-	2
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	1	-
	<b>13</b>	<b>17</b>

The reduction in total remuneration and number of key management personnel in the 2020 financial year has resulted from recent organisation restructuring which included several resignations and redundancies in the previous financial year. In accordance with accounting standards, the remuneration amounts include wages and salaries, employer superannuation contributions, vehicle benefits and movements in unused leave.

**(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 \$151,000

Council has no officers that meet the requirements of a Senior Officer, in the current or previous financial year.

**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 Council. The total value of services provided during the 2019/2020 financial year was \$12,648.

Two related parties of Cr Gwenda Allgood were employed by Council as Customer Service/ Lifeguards with the Ararat Fitness Centre during part of the 2019/2020 financial year, with a total combined remuneration value of \$7,681. The employment was on normal terms and conditions of employment with Council.

A related party of Cr Jo Armstrong was employed by Council as the Events and Marketing Officer during part of the 2019/2020 financial year, with a total remuneration value of \$9,729. The employment was on normal terms and conditions of employment with Council.

**(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**

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

	2020	2019
	\$'000	\$'000
Not later than one year	6	6
Later than one year and not later than five years	27	26
Later than five years	-	7
	<u>33</u>	<u>39</u>

**(b) Contingent liabilities**

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.

**Superannuation**

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

*Future superannuation contributions*

In addition to the disclosed contributions, Council has paid unfunded liability payments to Vision Super totalling \$63,000 (2018/19 \$71,000). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$55,000.

**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.

## 8.2 Change in accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2020 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.

### **AASB 1059 Service Concession Arrangements: Grantors (AASB 1059) (applies 2020/21 for LG Sector)**

AASB 1059 addresses the accounting for a service concession arrangement by a grantor that is a public sector entity by prescribing the accounting for the arrangement from the grantor's perspective. It requires the grantor to:

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service concession asset;
- initially measure a service concession asset constructed, developed or acquired by the operator or reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;
- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

Based on the Council's current assessment, there is expected to be no impact on the transactions and balances recognised in the financial statements as the Council is not a grantor in a service concession arrangement.

### **AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material (applies 2020/21 for LG Sector)**

The Standard principally amends *AASB 101 Presentation of Financial Statements* and *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The impacts on the local government sector are expected to be minimal.

### **AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework (applies 2020/21 for LG Sector)**

This Standard sets out amendments to Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB. The impacts on the local government sector are expected to be minimal.

## 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. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. 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 0.25%.

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.

#### 8.6 Impact of COVID-19 pandemic on operations and 2019-20 financial report

On 30 January 2020, COVID 19 was declared as a global pandemic by world health organisation. Since then, various measures have been taken by all three levels of Government in Australia to reduce the spread of COVID-19. This crisis and measures taken to mitigate it has impacted Ararat Rural City Council operations in the following areas for the financial year ended 30 June 2020:

- In response to government directive amidst the COVID-19 outbreak, the Ararat Fitness Centre, Ararat Library, Visitor Information Centre, Ararat Town Hall, Gum San Chinese Heritage Museum, and the Ararat Gallery TAMA were closed. These closures resulted in a decrease in the council user fee revenue by \$0.122 million and also decreased associated expenses by \$0.199 million.

- Council implemented a hardship policy for ratepayers adversely impacted by the pandemic. The deferral of rates payments and interest-free period resulted in an increase in the rates debtors by \$0.050 million.

Note 9 Other matters

9.1 Reserves	Balance at beginning of reporting period \$'000	Increment (decrement) \$'000	Balance at end of reporting period \$'000
<b>(a) Asset revaluation reserves</b>			
<b>2020</b>			
<b>Artworks</b>			
Artworks	961	-	961
	961	-	961
<b>Property</b>			
Land	9,525	240	9,765
Buildings	26,588	(515)	26,073
	36,113	(275)	35,838
<b>Infrastructure</b>			
Roads	80,774	-	80,774
Bridges	20,193	-	20,193
Footpaths and cycleways	6,462	-	6,462
Drainage	790	-	790
	108,219	-	108,219
<b>Total asset revaluation reserves</b>	<b>145,293</b>	<b>(275)</b>	<b>145,018</b>
<b>2019</b>			
<b>Artworks</b>			
Artworks	961	-	961
	961	-	961
<b>Property</b>			
Land	9,525	-	9,525
Buildings	26,588	-	26,588
	36,113	-	36,113
<b>Infrastructure</b>			
Roads	80,774	-	80,774
Bridges	20,193	-	20,193
Footpaths and cycleways	6,462	-	6,462
Drainage	790	-	790
	108,219	-	108,219
<b>Total asset revaluation reserves</b>	<b>145,293</b>	<b>-</b>	<b>145,293</b>

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>(b) Other reserves</b>				
<b>2020</b>				
Capital works	7,468	8,286	(7,468)	8,286
Plant replacement	145	184	-	329
Vehicle replacement	465	-	-	465
Election costs	80	25	-	105
Aerial imaging	61	-	(53)	8
Library	235	-	-	235
Defined benefits	361	-	-	361
Essential services	260	-	(65)	195
Recreational land	61	11	-	72
Gravel pit restoration	290	-	(153)	137
Building capital	3,937	414	-	4,351
Environmental projects	194	-	(99)	95
Waste management	1,711	305	(654)	1,362
Asset management	217	-	(52)	165
Information technology	717	-	(120)	597
Loan repayment	1,581	133	-	1,714
Aerodrome	46	-	-	46
<b>Total Other reserves</b>	<b>17,829</b>	<b>9,358</b>	<b>(8,664)</b>	<b>18,523</b>
<b>2019</b>				
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
<b>Total Other reserves</b>	<b>16,540</b>	<b>10,516</b>	<b>(9,227)</b>	<b>17,829</b>

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.

	2020	2019
	\$'000	\$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	2,814	3,999
Depreciation	9,277	9,135
(Profit)/loss on disposal of property, infrastructure, plant and equipment	408	(87)
Fair value adjustments for investment property	6	(15)
Borrowing costs	120	108
Finance costs - leases	(29)	-
Other	4	-
Adjustment to retained earnings	(1,756)	-
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	423	(520)
(Increase)/decrease in prepayments	(11)	15
Increase/(decrease) in trade and other payables	96	375
Increase/(decrease) in trust funds and deposit	(1,003)	924
Increase/(decrease) in unearned revenue	1,219	-
(Increase)/decrease in inventories	(13)	48
Increase/(decrease) in provisions	3	(19)
Net cash provided by/(used in) operating activities	<u>11,558</u>	<u>13,963</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 2020, this was 9.5% as required under Superannuation Guarantee (SG) 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.

A triennial actuarial review is currently underway for the Defined Benefit category as at 30 June 2020 and is expected to be completed by 31 December 2020.

As at 30 June 2019, 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 107.1%. 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 2020 was 104.6%.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2019 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

#### *Employer contributions*

##### *Regular contributions*

On the basis of the results of the 2017 full actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2020, this rate was 9.5% of members' salaries (9.5% in 2018/2019). This rate is expected to increase in line with any increases in the SG contribution rate and will be reviewed as part of the 30 June triennial valuation.

In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

#### Funding calls

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

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

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

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

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

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

#### The 2019 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

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

	2019	2017
	\$m	\$m
- A VBI Surplus	151.3	69.8
- A total service liability surplus	233.4	193.5
- A discounted accrued benefits surplus	256.7	228.8

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 2019.

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 as at 30 June 2019.

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 30 June 2019.

Council was notified of the 30 June 2019 VBI during August 2019 (2018: August 2018).

#### The 2020 triennial actuarial investigation

A triennial actuarial investigation is being conducted for the Fund's position as at 30 June 2020. It is anticipated that this actuarial investigation will be completed by 31 December 2020. The financial assumptions for the purposes of this investigation are:

	2020	2017
- Net investment return	5.6% pa	6.5% pa
- Salary inflation	2.5% pa for the first two years and 2.75% thereafter	3.5% pa
- Price inflation	2.0% pa	2.5% pa

**Note 10 Change in accounting policy**

Council has adopted *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities*, from 1 July 2019. This has resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

Due to the transition methods chosen by Council in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards except in relation to contracts that were not complete at 1 July 2019. The transition impact of these are detailed below.

**a) AASB 15 Revenue from Contracts with Customers - Impact of Adoption**

*AASB 15 Revenue from Contracts with Customers* applies to revenue transactions where Council provides services or goods under contractual arrangements.

Council adopted *AASB 15 Revenue from Contracts with Customers* using the modified (cumulative catch up) method. Revenue for 2019 as reported under *AASB 118 Revenue* is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 15 Revenue from Contracts with Customers* requires revenue from contracts with customers to be recognised as Council satisfies the performance obligations under the contract.

**b) AASB 16 Leases**

*AASB 16 Leases* requires right of use assets and related liabilities for all lease agreements to be recognised on the balance sheet. The Comprehensive Income Statement is to separately recognise the amortisation of the right of use asset, and the finance costs relating to the lease. Council has elected to adopt the modified (cumulative catch up) method under the standard and as such has not adjusted 2019 disclosures. The transition impact of these are detailed below.

**c) AASB 1058 Income of Not-for-Profit Entities**

*AASB 1058 Income of Not-for-Profit Entities* applies to income received where no contract is in place. This includes statutory charges (such as rates) as well as most grant agreements.

Council adopted *AASB 1058 Income of Not-for-Profit Entities* using the modified (cumulative catch up) method. Income for 2019 is not adjusted, because the new standard is only applied from the date of initial application.

*AASB 1058 Income of Not-for-Profit Entities* requires income to be recognised as Council satisfies the performance obligations under the contract.

**d) Transition impacts**

The following table summarises the impact of transition to the new standards on retained earnings at 1 July 2019.

	2019
	\$'000
Retained earnings at 30 June 2019	75,610
Revenue adjustment - impact of <i>AASB 15 Revenue from Contracts with Customers</i>	(97)
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	(1,659)
Retained earnings at 1 July 2019	<u>73,854</u>

At 1 July 2019 Council held a lease which was expiring in less than 12 months and elected to account for the lease as a short-term lease. As such there was no impact requiring any adjustment to assets, liabilities or retained earnings on the adoption of *AASB 16 Leases*.

The following table summarises the impacts of transition to the new standards on Council's balance sheet for the year ending 30 June 2019.

	As reported 30 June 2019	Adjustments	Post adoption
	\$'000	\$'000	\$'000
<b>Liabilities</b>			
Unearned income - operating grants	-	382	382
Unearned income - capital grants	-	1,374	1,374
Lease liability - current	28	-	28
	<u>28</u>	<u>-</u>	<u>28</u>

# Performance Statement

For the year ended 30 June 2020

## 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.

During the financial period Council completed capital works at the Ararat Fitness Centre, Elmhurst Hall and Willaura Hall. Energy saving works were installed in the Municipal Offices, Ararat Fitness Centre and the Ararat Library. Works in progress include the Lake Bolac Transfer Station Upgrade and Ararat on the move works at the Ararat Skate Park.

## Municipal Snapshot

Population » 11,845 (Australian Bureau of Statistics – Catalogue 3218.0 Population Estimates by Local Government Area)

Area » 4,230 square kilometres

Rateable properties » 7,188

Number of Councillors » 7

Rates and charges revenue » \$17.766 million Total Revenue » \$33.052 million

Length of sealed local roads » 690 kms

Length of unsealed local roads » 1,421 kms

Length of natural surface roads » 313 kms

Total road length » 2,424 kms

## Sustainable Capacity Indicators

For the year ended 30 June 2020

<i>Indicator/measure</i>	Results				Material Variations
	2017	2018	2019	2020	
<b>Population</b>					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,558.97	\$2,539.45	\$2,559.14	\$2,552.81	There has been a slight decrease in this measure based on organisational efficiencies reducing operating expenses.
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$14,089.09	\$17,745.12	\$17,820.01	\$17,841.20	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	4.66	4.86	4.87	4.89	
<b>Own-source revenue</b>					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$1,657.50	\$1,610.25	\$1,620.86	\$1,649.13	
<b>Recurrent grants</b>					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$963.89	\$745.46	\$702.16	\$723.77	
<b>Disadvantage</b>					
<i>Relative Socio-Economic Disadvantage</i> [Index of Relative Socio-Economic Disadvantage by decile]	2	1	1	1	The index of relative socio economic disadvantage has changed from 2 to 1 since the last census

<b>Indicator/measure</b>	<b>Results</b>				<b>Material Variations</b>
	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	
<b>Workforce turnover</b>					
<i>Resignations and terminations compared to average staff</i>	7.2%	13.8%	10.4%	14.7%	Organisational changes and staff retirements have resulted in an increase in staff churn during 2019/2020.
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] 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)

"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 2020

Service/ <i>indicator/measure</i>	Results				Material Variations
	2017	2018	2019	2020	
<b>Aquatic Facilities</b>					
<b>Utilisation</b>					
<i>Utilisation of aquatic facilities</i>	7.98	8.81	8.68	4.13	<p>The decrease in pool utilisation was due to two factors. The closure of Council pools during Stage 3 COVID-19 restrictions had an impact on patronage, and a cooler than usual summer meant that outdoor pools were closed for more days than usual, where the maximum temperature was below 23 degrees.</p> <p>The lower patronage numbers were offset financially by operational efficiencies and reduction in operating cost associated with Council resuming direct management of the facilities.</p>
[Number of visits to aquatic facilities / Municipal population]					
<b>Animal Management</b>					
<b>Health and safety</b>					
<i>Animal management prosecutions</i>	New in 2020	New in 2020	New in 2020	0%	There were no animal management prosecutions during this reporting period.
[Percentage of successful animal management prosecutions]					
<b>Food Safety</b>					
<b>Health and safety</b>					



Service/indicator/measure	Results				Material Variations
	2017	2018	2019	2020	
<i>Critical and major non-compliance outcome notifications</i>	86.96%	100.00%	95.00%	114.29%	There were 14 critical or major non-compliance outcome notifications issued in 2019/2020 and 16 actioned. Two of these are a result of follow ups from the 2018 calendar year. Council places high importance on ensuring critical and major non-compliance issues are responded to.
[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					
<b>Governance</b>					
<b>Satisfaction</b>					
<i>Satisfaction with Council decisions</i>	50	33	46	57	Council has placed a strong focus on consulting the community in regard to decisions made in their best interests, which has seen a 23% rise in this indicator from 2018/2019. While the improvement is encouraging, Council is committed to continuous and ongoing improvement in this area.
[Community satisfaction rating out of 100 with how Council has performed in making decisions in the interest of the community]					
<b>Libraries</b>					
<b>Participation</b>					
<i>Active library members</i>	14.59%	12.78%	13.59%	11.75%	A slight decrease in active members is evident for the 2019/2020 financial year. Council is currently undertaking a review of its Library services with the intention of assessing how the Library can better service the changing needs of our community.

Service/indicator/measure	Results				Material Variations
	2017	2018	2019	2020	
[Number of active library members / Municipal population] x100					
<b>Maternal and Child Health (MCH)</b>					
<b>Participation</b>					
<i>Participation in the MCH service</i>	81.74%	79.62%	79.56%	81.45%	Participation levels have slightly increased on last reporting period, 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					
<b>Participation</b>					
<i>Participation in the MCH service by Aboriginal children</i>	72.73%	83.33%	84.62%	80.00%	Council has 15 Aboriginal children enrolled in the maternal and child health Service with 3 children having not attended in the last 12 months. Such low numbers creates sensitivity when reporting in percentages. Attendance in the program continues to be strong.
[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					
<b>Roads</b>					
<b>Satisfaction</b>					
<i>Satisfaction with sealed local roads</i>	51	43	50	56	This result reflects an improvement in community satisfaction with Council's local roads compared to recent years. It is envisaged that the ongoing investment in road renewal outlined in Council's budget 2020/2021 will continue to improve community satisfaction in the longer term.

Service/indicator/measure	Results				Material Variations
	2017	2018	2019	2020	
[Community satisfaction rating out of 100 with how Council has performed on the condition of sealed local roads]					
<b>Statutory Planning</b>					
<b>Decision making</b>					
<i>Council planning decisions upheld at VCAT</i>	50%	0%	0%	0%	Council have had no VCAT decisions in relation to planning applications in this reporting period.
[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					
<b>Waste Collection</b>					
<b>Waste diversion</b>					
<i>Kerbside collection waste diverted from landfill</i>	23.66%	24.86%	25.95%	25.19%	This result is consistent with previous 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*

"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

## Financial Performance Indicators

For the year ended 30 June 2020

	Results				Forecasts				
Dimension/indicator/ measure	2017	2018	2019	2020	2021	2022	2023	2024	Material Variations and Comments
<b>Efficiency</b>									
<b>Revenue level</b>									
<i>Average rate per property assessment</i>	New in 2020	New in 2020	New in 2020	\$2,076.66	\$2,063.58	\$2,108.87	\$2,144.67	\$2,181.07	Council's average rate per assessment is slightly above the expected range for this indicator. This is due to historically higher rating by Council. Effort is being made to deliver organisational efficiencies and cost savings as a future dividend to ratepayers.
[Residential rate revenue / Number of residential property assessments]									
<b>Expenditure level</b>									
<i>Expenses per property assessment</i>	\$4,029.29	\$4,252.86	\$4,312.14	\$4,206.73	\$3,761.83	\$3,719.82	\$3,774.85	\$3,816.90	There has been a slight decrease in this measure based on organisational efficiencies reducing operating expenses. Further savings have been factored into the budget for 2021. It is also anticipated that there will be a small growth in urban residential assessments during the 2020/21 and 2021/22 periods without a growth in operating expenditure.

Dimension/indicator/ measure	Results				Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
[Total expenses / Number of property assessments]									
<b>Liquidity</b>									
<b>Working capital</b>									
<i>Current assets compared to current liabilities</i>	421.55%	473.39%	421.69%	396.18%	165.55%	194.08%	199.15%	204.35%	The result for 2019 included an additional \$1 million in Fire Services Levy collected but not remitted to the State Revenue Office at 30 June 2019. The budget for 2021 includes a transfer from reserves of \$2.673 million to fund capital works.
[Current assets / Current liabilities] x100									
<b>Unrestricted cash</b>									
<i>Unrestricted cash compared to current liabilities</i>	272.73%	273.62%	196.80%	172.49%	114.39%	125.94%	131.08%	136.29%	The variance in 2019 was expected as Council used unrestricted cash to complete major works at the Ararat Town Hall. Further unrestricted cash will also be used to fund capital works in 2021.
[Unrestricted cash / Current liabilities] x100									
<b>Obligations</b>									
<b>Asset renewal and Upgrade</b>									
<i>Asset renewal and upgrade compared to depreciation</i>	New in 2020	New in 2020	New in 2020	118.09%	193.74%	121.73%	122.67%	123.63%	This result represents a significant increase in capital works expenditure in 2019/2020, targeted at improving Council's performance in renewal of



Dimension/indicator/ measure	Results				Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
<i>Non-current liabilities compared to own source revenue</i>	12.01%	12.42%	16.51%	15.44%	4.44%	3.65%	2.86%	2.09%	The result for 2019/2020 includes a new loan of \$1 million taken up to complete the Ararat Town Hall project. The forecast result for 2021 is significantly lower as a \$2 million loan is reclassified as a current liability and is due to be paid out in 2022.
[Non-current liabilities / Own source revenue] x100									
<b>Operating position</b>									
<b>Adjusted underlying result</b>									
<i>Adjusted underlying surplus (or deficit)</i>	3.90%	-5.69%	-0.66%	-4.12%	12.99%	7.28%	7.12%	7.30%	Council received a \$1.5 Million non-recurrent grant for Natural Disaster in 2019. In 2020 Council has brought forward an extra \$2 million in Roads to Recovery funding to complete capital works In 2021 Council is expecting a surplus of \$4.661 million which is mainly due to a reduction in expenses.
[Adjusted underlying surplus (deficit)/ Adjusted underlying revenue] x100									
<b>Stability</b>									
<b>Rates concentration</b>									
<i>Rates compared to adjusted underlying revenue</i>	54.52%	59.04%	56.78%	61.17%	56.96%	62.73%	62.97%	63.21%	The budget for 2021 includes bringing forward an extra \$2 million in Roads to Recovery



Dimension/indicator/ measure	Results				Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
									Funding. This has resulted in a lower ratio in 2020 and a higher ratio in 2022.
[Rate revenue / Adjusted underlying revenue] x100									
<b>Rates effort</b>									
<i>Rates compared to property values</i>	0.68%	0.71%	0.62%	0.62%	0.54%	0.54%	0.54%	0.54%	The 2018 revaluation of all properties has resulted in a 12.04% variance in 2019. The result for 2021 has been influenced by a one percent rate reduction in 2021 and significant increases in rural property valuations in the 2020 General Revaluation.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									
<b>Retired Measures</b>									
<b>Animal Management – Health &amp; Safety</b>									
<i>Animal management prosecutions</i>	0	0	0	Retired in 2020					
[Number of successful animal management prosecutions]									
<b>Efficiency – Revenue level</b>									
<i>Average residential rate per residential property assessment</i>	\$1,769.60	\$1,823.40	\$1,777.60	Retired in 2020					

Dimension/indicator/ measure	Results				Forecasts				Material Variations and Comments
	2017	2018	2019	2020	2021	2022	2023	2024	
[Residential rate revenue / Number of residential property assessments]									
<b>Obligations – Asset Renewal</b>									
<i>Asset renewal compared to depreciation</i>	51.29%	54.79%	91.32%	Retired in 2020					During 2018/19 Council completed the \$8.5 million redevelopment of the Ararat Town Hall. Savings achieved in operations and maintenance in 2019 have been reinvested in asset renewal in future years.
[Asset renewal expense / Asset depreciation] 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

"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

"asset upgrade expenditure" means expenditure on an existing asset to provide a higher level of service or increases the life of the asset beyond its original life.

"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 2020

### 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 17 June 2020 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.

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Alistair Rowe  
Principal Accounting Officer  
Dated:

In our opinion, the accompanying performance statement of the Ararat Rural City Council for the year ended 30 June 2020 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.

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Jo Armstrong  
Mayor  
Dated:

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Bill Braithwaite  
Councillor  
Dated:

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Dr. Tim Harrison  
Chief Executive Officer  
Dated: