

Agenda

For the Special Council Meeting

Location: Council Chambers, Municipal Offices
62-68 Ovens Street, Wangaratta

Date: Monday, 23 September 2019

Time: 6.00pm



RURAL CITY OF
WANGARATTA

Brendan McGrath
Chief Executive Officer

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1. **ACKNOWLEDGEMENT OF TRADITIONAL OWNERS**

We acknowledge the traditional owners of the land on which we are meeting. We pay our respects to their Elders past, present and emerging and to Elders from other communities who may be here today.

2. **OPENING PRAYER**

Almighty God, we humbly ask thee to bless and guide this council in its deliberations so that we may truly preserve the welfare of the people whom we serve. Amen

3. **PRESENT**

4. **ABSENT**

Brendan McGrath, Chief Executive Officer.

5. **ACCEPTANCE OF APOLOGIES & GRANTING OF LEAVE OF ABSENCE**

Nil.

ORDER OF BUSINESS

6. **CONFLICT OF INTEREST DISCLOSURE**

In accordance with sections 77A, 77B, 78 and 79 of the *Local Government Act 1989* Councillors are required to disclose a 'conflict of interest' in a decision if they would receive, or could reasonably be perceived as receiving, a direct or indirect financial or non-financial benefit or detriment (other than as a voter, resident or ratepayer) from the decision.

Disclosure must occur immediately before the matter is considered or discussed.

PRESENTATION OF REPORTS

OFFICERS' REPORTS

7. CORPORATE SERVICES

7.1 FINANCIAL STATEMENTS & PERFORMANCE STATEMENT 2018/19 (ADOPT IN PRINCIPLE)

Meeting Type: Special Council Meeting
Date of Meeting: 23 September 2019
Author: Governance & Reporting Advisor
File No: IC19/411

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Executive Summary

This report is presented to Council for Council to consider 'in principle' approval of the Financial Statements 2018/19, Performance Statement 2018/19 and the Governance and Management Checklist, prior to forwarding the statements to the Victorian Auditor-General.

RECOMMENDATION:

That Council:

- 1. Approves 'in principle' the Financial Statements and Performance Statement for the Wangaratta Rural City Council for the Financial Year ending 30 June 2019 as endorsed by the Audit Advisory Committee on 17 September 2019.***
- 2. Authorises the Mayor, Cr Dean Rees, and Cr Mark Currie, to certify the Financial Statements and Performance Statement for the Wangaratta Rural City Council for the Financial Year ending 30 June 2019 in their final form after any changes recommended or agreed to by the Victorian Auditor-General have been made.***
- 3. Adopts the Governance and Management Checklist for the Wangaratta Rural City Council for the Financial Year ending 30 June 2019.***
- 4. Authorises the Mayor, Cr Dean Rees, to certify the Governance and Management Checklist for the Wangaratta Rural City Council for the Financial Year ending 30 June 2019.***

Background

The Local Government Act 1989 (the Act) requires Council to prepare an Annual Report at the conclusion of each financial year, including a Report of Operations, audited Financial Statements and Performance Statement.

Council must submit for auditing, the Financial Statements 2018/19 (Financial Statements) and Performance Statement 2018/19 (Performance Statement) in their finalised form, to the Auditor appointed by the Victorian Auditor-General's Office (VAGO), as soon as possible after the end of the financial year and be certified in the manner prescribed.

After completion of the initial audit, Council is required to consider the audited Financial Statements and Performance Statement and provide 'in principle' approval for the statements, which are then submitted to VAGO.

VAGO's auditors must then prepare a report on the submitted Financial Statements and Performance Statement and provide it to Council, as well as provide a copy to the Minister for Local Government.

VAGO cannot sign the audit reports unless the Financial Statements and Performance Statement are in their final form, inclusive of any changes recommended or agreed by the Auditor and are certified in accordance with the Local Government (Planning and Reporting) Regulations 2014 (Regulations), by two Councillors authorised by Council, The Chief Executive Officer and Principal Accounting Officer.

The Governance and Management Checklist and Performance Indicators have been prepared in accordance with the Regulations.

The Audit Advisory Committee, at its meeting held Tuesday, 17 September 2019 recommended that Council approves 'in principle' the Financial Statements and Performance Statement, subject to any further changes by the Auditor.

Implications

Policy Considerations

There are no specific Council policies or strategies that relate to this report.

Financial/Economic Implications

The Financial Statements consist of:

- Comprehensive Income Statement
- Balance Sheet
- Statement of Changes in Equity
- Statement of Cash Flows
- Statement of Capital Works
- Notes to the Financial Statements

Comprehensive Income Statement

The Comprehensive Income Statement shows Council's revenue and expenses for the year plus other comprehensive income.

The statement does not include the cost of asset purchases, loan repayments or reserve funds. It does however include the depreciation of asset values as an expense. Below is a summary of the Comprehensive Income Statement.

	2017/18 \$'000	2018/19 \$'000	Increase/ (decrease) \$'000
Income	64,351	65,572	1,221
Expenses	54,570	61,951	7,381
Surplus/(deficit) for the period	9,781	3,621	(6,160)
Other Comprehensive Income	46,371	5,329	(41,042)
Total Comprehensive Result	56,152	8,950	(47,202)

Total income has increased by \$1.221 million. Some of the key movements between income categories were:

- Rates and charges increased by \$1.451 million. The increase was due to a 2.25% increase in rates and 6% increase in waste charges.
- Grants Capital decreased by \$581,000. The decrease is mainly due to a reduction in the Roads to Recovery funding.
- Contributions non-monetary decreased by \$1.386 million. Non-monetary asset income generally relates to the transfer of infrastructure by developers to Council following the completion of subdivisions. These assets become the property of Council and hence increase Council's asset levels. The value of the assets is recorded as income when the transfer of ownership takes place. The total value of assets transferred varies considerably from year to year depending on the level of development in the municipality and subsequent transfer of infrastructure to Council.
- Other Income increased by \$562,000. This was due to increased reimbursements for natural disasters and found assets – paths of \$165,000.

Total expenditure has increased by \$7.381 million. Some of the key movements between expenditure categories were:

- Employee costs increased by \$1.053 million. The increase was due to an increase in salaries & wages, annual leave and long service leave provisions in accord with the Enterprise Agreement approved in August 2018.
- Materials and services increased by \$2.231 million. This increase was due contract payments of \$949,000, Packaged Care \$373,000, Livestock Exchange \$175,000 and other materials and services \$640,000.
- Depreciation and amortisation increased by \$4.160 million. The increase is due to an increase in infrastructure depreciation of \$3.826 million.

- Borrowing costs increased by \$1.129 million due to an increase in the landfill provision arising from changes in the discount rates of \$1.187 million and offset by lower interest on borrowings.
- Other expenses decreased by \$1.128 million. Waste Management assets were written off or impaired during the 2017/18 financial year. This has not occurred in the 2018/19 financial year.

Balance Sheet

The Balance Sheet shows what Council owns as assets and what it owes as liabilities. The bottom line of this statement is Total Equity which is an accumulation over time of the net worth of Council.

	2017/18 \$'000	2018/19 \$'000	Increase/ (decrease) \$'000
Current Assets	40,228	31,136	(9,092)
Non Current Assets	534,551	557,612	23,061
Current Liabilities	11,244	15,360	4,116
Non Current Liabilities	23,495	24,246	751
Equity	540,040	549,142	9,102

- Current assets decreased by \$9.092 million. The decrease in current assets is mainly due to the level of financial assets (investments) being used for the completion of the capital works program and the deferral of loan borrowings which are used to fund the capital program until 2019/20.
- Non-current assets have increased by \$23.061 million. Non-current assets are assets which are not expected to be converted into cash within the next 12 months. The increase is mainly due to the revaluation of the Aerodrome and the level of Works in Progress.
- Current liabilities have increased by \$4.116 million. This is mainly due to an increase in trade and other payables including materials and Contracts, employee costs and unearned income.
- Non-current liabilities have decreased by \$751,000. This is mainly due to no new borrowings drawn down during the financial year. The landfill provision increased by \$1.187 million.
- Total equity is the term used to describe the value of the Council to its ratepayers and is divided between:
 - Accumulated surplus – the value of all net assets over time,
 - Asset revaluation reserve, and
 - Reserves – funds reserved for specific future expenditure.

Total equity increased by \$9.102 million, and is mainly due to Council's surplus of \$3.621 million for 2018/19, Contributed equity \$152,000, and the asset revaluation of \$5.329 million.

Statement of Cash Flows

The Statement of Cash Flows is a record of cash received and cash paid by Council for the financial year. It excludes non-cash expenses such as depreciation that are included in the Comprehensive Income Statement and includes items such as capital expenditure and proceeds from loans or repayment of loans that are not included in the Comprehensive Income Statement.

Overall the Statement of Cash Flows shows that cash on hand was \$6.453 million at the end of the year. The level of cash is lower than 2017/18. Council also decreased its term deposits (disclosed under financial assets), bringing total cash and investments to \$21.263 million at 30 June 2019. The level of cash should be considered in conjunction with the financial assets category as investments move between these two asset categories when they come closer to maturity.

Overall Council's cash flow is strong in 2018/19. Further, the 2018/19 Budget disclosed carry over capital works of \$11.875 million which is funded from Council's cash and investments and future borrowings. As such, there are significant future obligations for which the cash and investments will be directed.

Budget Comparison

A budget comparison with actual performance is provided at Note 1. The *Local Government (Planning and Reporting) Regulations 2014* require explanation of any material variances. Council has adopted a materiality threshold of ten percent and positive or negative \$200,000. Refer to Note 1 in the attached Financial Statements.

Legal/Statutory

This report has been prepared in accordance with the Act and the Regulations.

Social

There are no social impacts identified for the subject of this report.

Environmental/Sustainability Impacts

There are no environmental/ sustainability impacts identified for this subject of this report.

2017-2021 Council Plan (2019 Revision)

This report supports the 2017-2021 Council Plan (2019 Revision):

Pillar

We are Sustainable

Our team will make the best and most efficient use of Council's resources.

Risk Management

Risks	Likelihood	Consequence	Rating	Mitigation Action
Financial reports not prepared in accordance with statutory requirements	Low	Medium	Medium	Consultation with external auditors, Local Government Victoria and FinPro for the latest updates and changes

Consultation/Communication

Extensive consultation has been undertaken with the Auditor appointed by the Victorian Auditor-General's Office, Johnsons MME, during the preparation of the Financial Statements and Performance Statement.

Options for Consideration

There are no options for consideration given that production of an Annual Report containing the Financial Statements and Performance Statement is required by the Act and the process is prescribed.

Conclusion

The production of the Financial Statements, Performance Statement and the Governance and Management Checklist is a critical component in the management of Council's operations to ensure accountability and public disclosure in the delivery of services and programs to residents of the municipality.

Attachments

- 1 Performance Statement 2018/19 [↓](#)
- 2 Governance and Management Checklist 2018/19 [↓](#)
- 3 Financial Statements 2018/19 [↓](#)

7.2 2018/19 CARRY OVERS - CAPITAL AND OPERATING PROJECTS

Meeting Type: Special Council Meeting
Date of Meeting: 23 September 2019
Author: Manager - Finance
File No: IC19/481

No Council officers or contractors who have provided advice in relation to this report have declared a conflict of interest regarding the matter under consideration.

Executive Summary

This report is presented to Council to endorse the end of year financial position in relation to the Capital Works Program and the carry forward of budget allocations or over expenditure of the relevant 2018/19 capital budgets to the 2019/20 financial year.

RECOMMENDATION:

That Council:

- 1. carries forward \$3,054,573 from the 2018/19 capital works budget allocations to the 2019/20 financial year.***
- 2. reduces capital expenditure in the 2019/20 budget by \$30,104 for capital projects commenced in the 2018/19 financial year.***
- 3. carries forward \$441,659 in non-recurrent operating expenditure to the 2019/20 financial year.***

Background

Capital works budgets are allocated on an annual basis, however unforeseen events can impact on the ability of some of these projects to be completed within the expected timeframe. As such, it is not uncommon for there to be an amount of allocated funds to be carried over to the next financial year to enable the completion of key capital projects.

Implications

Policy Considerations

There are no specific Council policies or strategies that relate to this report.

Financial/Economic Implications

Capital expenditure

Set out below are the proposed carry over amounts in excess of \$100,000:

Project	Carry Forward 2018/19 \$
01573 2014 Aquatics Plan - WISAC Development	671,893
01584 Organics processing plant	558,172
00725 Road Street reconstruction	299,949
01888 Wangaratta Flood Mitigation Strategy and Design	271,548
01846 Wangaratta-Eldorado Road / Bourke Road Intersection Reconstruction	195,784
01999 Plant Replacement 19/20	157,999
01836 Gallery Feasibility Study	128,504
01671 Building and Planning Online	113,008

A detailed list of the carry over projects, totalling \$3,054,573 are set out in **attachment 1** to this report.

A number of projects budgeted for in 2019/20 have been partly completed in 2018/19 or commenced earlier than expected and are funded from the 2019/20 approved budget. These projects total \$30,104 and are listed in the table below.

Project	Carry Forward 2018/19 \$
02038 Cusack & Spearing Street - Drainage & Car Parking Renewal	(11,105)
01753 CBD masterplan: Railway Precinct - Design and construction	(18,999)
Total	(30,104)

Operating Expenditure – Non recurrent

Some operational projects will be carried forward to the 2019/20 financial year. The projects that have a carried forward operating expenditure are as follows:

Project	Carry Forward 2018/19 \$
01907 Business Attraction and Investment	103,816
01902 Comprehensive Planning Framework	99,345
01881 Residential Lifestyle Land Use Study	69,955
01901 Finalise the Strategic Planning Framework	64,000
01873 Brand Wangaratta	39,760
01779 Wangaratta Hospital Precinct	37,352
01903 Design and establish enabling frameworks	27,431
Total Carry Forward	441,659

Legal/Statutory

There are no legal/statutory implications identified for the subject of this report.

Social

There are no social impacts identified for the subject of this report.

Environmental/Sustainability Impacts

There are no environmental/ sustainability impacts identified for this subject of this report.

2013 – 2017 Council Plan

This report supports the 2017-2021 Council Plan:

Goal

We are Sustainable

The non-negotiables

Our team will make the best and most efficient use of Council's resources.

Risk Management

There are no risks identified for the subject of the report.

Consultation/Communication

Officers believe that appropriate consultation has occurred and the matter is now ready for Council consideration.

Conclusion

Whilst every effort is made to predict the timelines of project expenditure, there are many factors that can delay or advance actual project expenditure. Therefore, under and over expenditures need to be carried forward to allow for budget matching with expenditure.

Attachments

- 1 2018-19 Carry Overs - Capital & Operating Projects [↓](#)

8. CLOSURE OF MEETING

ATTACHMENTS

Description of the Municipality

One of Victoria's most geographically diverse and scenic regions, Wangaratta Rural City Council offers a blend of city life and welcoming villages, native bushland, pastoral landscapes and snow-capped peaks. Located in the heart of North East Victoria, Wangaratta is a leading regional city in an area of breathtaking beauty.

There are over 29,000 residents living in the Rural City of Wangaratta. The largest urban centre in the municipality is Wangaratta. Prominent townships and villages include Boorhaman, Cheshunt, Eldorado, Everton, Glenrowan, Oxley, Milawa, Moyhu, Peechelba, Springhurst, Tarrawingee, Whitfield and Whorouly. Council covers an area of 3,639 square kilometres.

The regional economy is exceptionally diverse. Wangaratta is home to major agricultural, manufacturing, transport and distribution activities and is the regional headquarters for several state government agencies.

Basis of Preparation

Council is required to prepare and include a Performance Statement within its Annual Report¹. 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* (the Act) 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 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 of + / - 10% for each indicator 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 18 June 2019 and which forms part of the Council Plan. The Strategic Resource Plan includes estimates based on key assumptions about the future that were relevant at the time of adoption and aimed at achieving sustainability over the long term. Detailed information on the actual financial results is contained in the General Purpose Financial Statements. The strategic resource plan can be obtained by contacting Council.

¹ "Annual Report" means an annual report prepared by a council under sections 131, 132 and 133 of the Act

WANGARATTA RURAL CITY COUNCIL
PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Sustainable Capacity Indicators

Indicator / [measure]	Results				Material Variations
	2016	2017	2018	2019	
Own-source revenue <i>Own-source revenue² per head of municipal population³</i> [Own-source revenue / Municipal population]	\$1,366	\$1,416	\$1,449	\$1,499	
Recurrent grants <i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$524	\$737	\$582	\$521	A decrease in recurrent grant funding for Roads to Recovery in 2018/19.
Population <i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$2,011	\$2,135	\$1,893	\$2,117	During the financial year, there is an expense of almost \$1.187 million due to the landfill provision increasing and depreciation increase of \$4.1 million.
<i>Infrastructure⁴ per head of municipal population</i> [Value of infrastructure / Municipal population]	\$12,271	\$15,466	\$16,480	\$17,253	
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads ⁵]	14	14	15	15	
Disadvantage <i>Relative socio-economic disadvantage⁶</i> [Index of Relative Socio-economic Disadvantage by decile]	4	4	4	4	

² "own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants). "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)

³ "population" means the resident population estimated by council

⁴ "infrastructure" means non-current property, plant and equipment excluding land

⁵ "local road" means a sealed or unsealed road for which the council is the responsible road authority under the *Road Management Act 2004* and includes right-of-ways and laneways

⁶ "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

WANGARATTA RURAL CITY COUNCIL

PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Service Performance Indicators

Service / indicator / [measure]	Results				Material Variations
	2016	2017	2018	2019	
Aquatic facilities Utilisation Utilisation of aquatic facilities [Number of visits to aquatic facilities / Municipal population]	5.1	5.0	4.7	4.6	
Animal management Health and safety Animal management prosecutions [Number of successful animal management prosecutions]	0	0	0	0	
Food safety Health and safety Critical and major non-compliance notifications [Number of critical non-compliance notifications ⁷ and major non-compliance notifications ⁸ about a food premises ⁹ followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100	100%	100%	55%	68%	A number of businesses not followed up were either closed during the reporting period or mobile premises that were followed up within other municipalities and found compliant.
Governance Satisfaction Satisfaction with council decisions [Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]	48	50	51	51	
Home and community care Participation Participation in HACC service ¹⁰ [Number of people that received a HACC service / Municipal target population ¹¹ for HACC services] x100	26%	NA	NA	NA	Reporting ceased effective 1 July 2016
Participation Participation in HACC service by CALD ¹² people [Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100	19%	NA	NA	NA	Reporting ceased effective 1 July 2016

⁷ "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.

⁸ "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 authorised officer under that Act, if it relates to a deficiency that does not pose an immediate serious threat to public health but which may do so if no remedial action is taken Typically auditor notifications that fall into this category will be received under section 19N(4) at the conclusion of the audit process.

⁹ "food premises" has the same meaning as in the *Food Act 1984*

¹⁰ "HACC service" means home help, personal care or community respite provided under the HACC program

¹¹ "target population" has the same meaning as in the Agreement entered into for the purposes of the *Home and Community Care Act 1985* of the Commonwealth

¹² "CALD" means culturally and linguistically diverse and refers to persons born outside Australia in a country whose national language is not English

WANGARATTA RURAL CITY COUNCIL

PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Service Performance Indicators (continued)

Service / indicator / [measure]	Results				Material Variations
	2016	2017	2018	2019	
Libraries Participation Active library members [Number of active library members ¹³ / Municipal population ¹⁴] x100	17%	16%	15%	14%	
Maternal and child health Participation Participation in the MCH service ¹⁵ [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100 Participation Participation in the MCH service by Aboriginal children ¹⁶ [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	77%	78%	80%	74%	
Roads Satisfaction Satisfaction with sealed local roads ¹⁷ [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	58	56	56	57	
Statutory Planning Decision making Council planning decisions upheld at VCAT [Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100	100%	0%	NA	67%	Council had three planning matters referred to VCAT during 2018/19. Out of the three matters, VCAT upheld two of the Council's planning decisions.
Waste Collection Waste diversion Kerbside collection waste diverted from landfill [Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100	56%	61%	61%	60%	

¹³ "active library member" means a member of a library who has borrowed a book from the library

¹⁴ "population" means the resident population estimated by council

¹⁵ "MCH service" 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

¹⁶ "Aboriginal child" means a child who is an Aboriginal person. "Aboriginal person" has the same meaning as in the *Aboriginal Heritage Act 2006*

¹⁷ "sealed local roads" means sealed roads under the control of the municipality and includes the road pavement and road seal (and kerb and channel where applicable)

WANGARATTA RURAL CITY COUNCIL
PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance Indicators

Dimension / indicator / [measure]	Results				Forecasts				Material Variations
	2016	2017	2018	2019	2020	2021	2022	2023	
Operating position Adjusted underlying result Adjusted underlying surplus (or deficit) ¹⁸ [Adjusted underlying surplus (deficit) / Adjusted underlying revenue ¹⁹] x100	-6%	2%	8%	-3%	-5%	-8%	-8%	-7%	Due to the recognition of non-monetary contributions of \$1.175 million.
Liquidity Working capital Current assets ²⁰ compared to current liabilities ²¹ [Current assets / Current liabilities] x100	148%	250%	358%	201%	142%	108%	144%	237%	The key driver is the increase in trade payables of \$2.5 million for materials and contracts.
Unrestricted cash Unrestricted cash ²² compared to current liabilities [Unrestricted cash / Current liabilities] x100	93%	27%	75%	19%	109%	74%	108%	200%	Council's cash balances are lower due to the funding of brought forward capital works in 2018/19.
Obligations Loans and borrowings Loans and borrowings compared to rates [Interest bearing loans and borrowings / Rate revenue] x100	37%	32%	28%	25%	69%	76%	74%	65%	New loan borrowings not drawn down in 2018/19 and existing loan repayments completed.
Loans and borrowings repayments compared to rates [Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100	6%	5%	4%	3%	6%	8%	10%	10%	New loan borrowings not drawn down in 2018/19 and existing loan repayments completed.

¹⁸ "adjusted underlying surplus (or deficit)" means adjusted underlying revenue less total expenditure

¹⁹ "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)

²⁰ "current assets" has the same meaning as in the Australian Accounting Standards (AAS)

²¹ "current liabilities" has the same meaning as in the AAS

²² "unrestricted cash" means all cash and cash equivalents other than restricted cash. "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

WANGARATTA RURAL CITY COUNCIL

PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance Indicators (continued)

Dimension / indicator / [measure]	Results				Forecasts				Material Variations
	2016	2017	2018	2019	2020	2021	2022	2023	
Indebtedness Working capital Non-current liabilities ²³ compared to own source revenue ²⁴ [Non-current liabilities / Own source revenue] x100	58%	59%	56%	56%	80%	81%	77%	69%	
Asset renewal Asset renewal ²⁵ compared to depreciation [Asset renewal expenses / Asset depreciation] x100	62%	44%	54%	63%	64%	39%	39%	38%	There has been an increase in renewal expenditure during the financial year.

²³ "non-current liabilities" means all liabilities other than current liabilities

²⁴ "own-source revenue" means adjusted underlying revenue other than revenue that is not under the control of council (including government grants)

²⁵ "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

WANGARATTA RURAL CITY COUNCIL

PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance Indicators (continued)

Dimension / indicator / [measure]	Results				Forecasts				Material Variations
	2016	2017	2018	2018	2020	2021	2022	2023	
Stability									
Rates concentration									
<i>Rates compared to adjusted underlying revenue²⁶</i>	56%	49%	52%	53%	55%	56%	57%	57%	
<small>[Rate revenue²⁷ / Adjusted underlying revenue] x100</small>									
Rates effort									
<i>Rates compared to property values</i>	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	
<small>[Rate revenue / Capital improved value²⁸ of rateable properties in the municipality] x100</small>									
Efficiency									
Expenditure level									
<i>Expenses per property assessment</i>	\$3,579	\$3,819	\$3,547	\$3,991	\$4,076	\$4,213	\$4,310	\$4,385	This measure includes non-cash costs of depreciation and increases in the landfill provision. During the financial year, there is an expense of almost \$1.187 million due to the landfill provision increasing and depreciation increase of \$4.1 million.
<small>[Total expenses / Number of property assessments]</small>									
Revenue level									
<i>Average residential rate per residential property assessment²⁹</i>	\$1,667	\$1,713	\$1,750	\$1,949	\$1,849	\$1,854	\$1,915	\$1,979	The increase is due to the 2.25% rate cap plus a 6% increase in the service rates and charges.
<small>[Residential rate revenue³⁰ / Number of residential property assessments]</small>									
Workforce turnover									
<i>Resignations and terminations³¹ compared to average staff</i>	21%	14%	13%	10%	10%	10%	10%	10%	Council cannot contribute the reduction in the number of resignations to a specific reason.
<small>[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100</small>									

²⁶ "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)

²⁷ "rate revenue" means revenue from general rates, municipal charges, service rates and service charges

²⁸ "capital improved value" means the market value of a property and is measured at the end of the year and includes all valuation adjustments (e.g. supplementary valuations)

²⁹ "residential property assessments" means the number of residential property assessments at the end of the year and includes all property adjustments (e.g. new or deleted assessments)

³⁰ "residential rate revenue" means revenue from general rates, municipal charges, service rates and service charges levied on residential properties

³¹ "resignations and terminations" means all permanent employees (including senior officers on contract) that leave the council and includes resignations, terminations, retirements and redundancies

WANGARATTA RURAL CITY COUNCIL

PERFORMANCE STATEMENT – FOR THE YEAR ENDED 30 JUNE 2019

Certification

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*.

Anthony Smith, Bachelor of Business (Administration) and Graduate Diploma in Accounting

Principal Accounting Officer

Dated: September 2019

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

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

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

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

Cr Dean Rees

Mayor

Dated: September 2019

Cr Mark Currie

Deputy Mayor

Dated: September 2019

Jaime Chubb

Acting Chief Executive Officer

Dated: September 2019

GOVERNANCE AND MANAGEMENT CHECKLIST

The following are the results in the prescribed form of council's assessment against the prescribed governance and management checklist.

Governance and Management Items	Assessment
1 Community engagement policy (policy outlining Council's commitment to engaging with the community on matters of public interest)	Policy Date of operation of current policy: 20 February 2018
2. Community engagement guidelines (guidelines to assist staff to determine when and how to engage with the community)	Guidelines Date of operation of current guidelines: 20 February 2018
3 Strategic Resource Plan (plan under section 126 of the Act outlining the financial and non-financial resources required for at least the next 4 financial years)	Adopted in accordance with section 126 of the Act Date of adoption: 18 June 2019
4 Annual budget (plan under section 130 of the Act setting out the services to be provided and initiatives to be undertaken over the next 12 months and the funding and other resources required)	Adopted in accordance with section 130 of the Act Date of adoption: 18 June 2019
5 Asset management plans (plans that set out the asset maintenance and renewal needs for key infrastructure asset classes for at least the next 10 years)	Plans Date of operation of current plans: 15 December 2015
6 Rating strategy (strategy setting out the rating structure of Council to levy rates and charges)	Strategy Date of operation of current strategy: 19 June 2018
7 Risk policy (policy outlining Council's commitment and approach to minimising the risks to Council's operations)	Policy Date of operation of current policy: 1 September 2014
8 Fraud policy (policy outlining Council's commitment and approach to minimising the risk of fraud)	Policy Date of operation of current policy: 18 August 2015
9 Municipal emergency management plan (plan under section 20 of the Emergency Management Act 1986 for emergency prevention, response and recovery)	Prepared and maintained in accordance with section 20 of the Emergency Management Act 1986 Date of preparation: 20 November 2018

Governance and Management Items	Assessment
<p>10 Procurement policy (policy under section 186A of the Local Government Act 1989 outlining the matters, practices and procedures that will apply to all purchases of goods, services and works)</p>	<p>Prepared and approved in accordance with section 186A of the Local Government Act 1989</p> <p>Date of approval: 16 April 2019</p>
<p>11 Business continuity plan (plan setting out the actions that will be taken to ensure that key services continue to operate in the event of a disaster)</p>	<p>Plan</p> <p>Date of operation of current plan: 16 September 2014</p>
<p>12 Disaster recovery plan (plan setting out the actions that will be undertaken to recover and restore business capability in the event of a disaster)</p>	<p>Plan</p> <p>Date of operation of current plan: 16 December 2018</p>
<p>13 Risk management framework (framework outlining Council's approach to managing risks to the Council's operations)</p>	<p>Framework</p> <p>Date of operation of current framework: 1 September 2014</p>
<p>14 Audit Committee (advisory committee of Council under section 139 of the Act whose role is to oversee the integrity of a Council's financial reporting, processes to manage risks to the Council's operations and for compliance with applicable legal, ethical, and regulatory requirements)</p>	<p>Established in accordance with section 139 of the Act</p> <p>Date of establishment: 19 August 1997</p>
<p>15 Internal audit (independent accounting professionals engaged by the Council to provide analyses and recommendations aimed at improving Council's governance, risk and management controls)</p>	<p>Engaged</p> <p>Date of engagement of current provider: 15 September 2014</p>
<p>16 Performance reporting framework (a set of indicators measuring financial and non-financial performance, including the performance indicators referred to in section 131 of the Act)</p>	<p>Framework</p> <p>Date of operation of current framework: 25 October 2018</p>
<p>17 Council Plan reporting (report reviewing the performance of the Council against the Council Plan, including the results in relation to the strategic indicators, for the first six months of the financial year)</p>	<p>Report</p> <p>Date of report: 21 August 2018, 16 October 2018, 19 February 2019, 10 April 2019</p>
<p>18 Financial reporting (quarterly statements to Council under section 138 of the Act comparing budgeted revenue and expenditure with actual revenue and expenditure)</p>	<p>Statements presented to Council in accordance with section 138(1) of the Act</p> <p>Dates statements presented: 16 October 2018, 19 February 2019, 21 May 2019</p>
<p>19 Risk reporting (six-monthly reports of strategic risks to Council's operations, their likelihood and consequences of occurring and risk minimisation strategies)</p>	<p>Reports</p> <p>Date of reports: 11 September 2018, 5 March 2019, 13 June 2019</p>

Governance and Management Items	Assessment
<p>20 Performance reporting (six-monthly reports of indicators measuring the results against financial and non-financial performance, including performance indicators referred to in section 131 of the Act)</p>	<p>Reports Date of reports: 21 August 2018, 16 October 2018, 19 February 2019, 16 April 2019</p>
<p>21 Annual report (annual report under sections 131, 132 and 133 of the Act to the community containing a report of operations and audited financial performance statements)</p>	<p>Considered at meeting of the Council in accordance with section 134 of the Act Date of consideration: 25 October 2018</p>
<p>22 Councillor Code of Conduct (Code under section 76C of the Act setting out the conduct principles and the dispute resolution processes to be followed by Councillors)</p>	<p>Reviewed in accordance with section 76C of the Act Date reviewed: 6 February 2017</p>
<p>23 Delegations (a document setting out the powers, duties and functions of Council and the Chief Executive Officer that have been delegated to members of staff)</p>	<p>Reviewed in accordance with section 98(6) of the Act Date of review: 23 August 2017</p>
<p>24 Meeting procedures (a local law governing the conduct of meetings of Council and special committees)</p>	<p>Meeting procedures local law made in accordance with section 91(1) of the Act Date local law made: 19 July 2016</p>

I certify that this information presents fairly the status of Council’s governance and management arrangements.

 Jaime Chubb
Acting Chief Executive Officer
 Date: September 2019

 Cr Dean Rees
Mayor
 Date: September 2019

**Wangaratta Rural City Council
ANNUAL FINANCIAL REPORT**

For the Year Ended 30 June 2019

Certification of the Financial Statements

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

Anthony Smith
Principal Accounting Officer

Date : *September 2019*
Wangaratta

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

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

Dean Rees
Mayor
Date : *September 2019*
Wangaratta

Mark Currie
Councillor

Date : *September 2019*
Wangaratta

Jaime Chubb
Acting - Chief Executive Officer

Date : *September 2019*
Wangaratta

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**Comprehensive Income Statement
For the Year Ended 30 June 2019**

	Consolidated		Note	Council	
	2019 \$'000	2018 \$'000		2019 \$'000	2018 \$'000
Income					
Rates and charges	32,189	30,738	3.1	32,189	30,738
Statutory fees and fines	1,202	1,212	3.2	1,202	1,212
User fees	8,613	7,747	3.3	8,041	7,747
Grants - operating	15,082	14,743	3.4	15,082	14,743
Grants - capital	4,544	5,125	3.4	4,544	5,125
Contributions - monetary	593	143	3.5	593	143
Contributions - non monetary	1,175	2,561	3.5	1,175	2,561
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	(56)	407	3.6	(56)	407
Share of net profits (or loss) of associates	-	7	6.3(a)	-	7
Other income	2,230	1,668	3.7	2,230	1,668
Total income	65,572	64,351		65,000	64,351
Expenses					
Employee costs	23,415	22,362	4.1	23,227	22,362
Materials and services	19,443	17,212	4.2	19,268	17,212
Depreciation and amortisation	17,104	12,944	4.3	17,098	12,944
Bad and doubtful debts	28	8	4.4	28	8
Borrowing costs	1,558	429	4.5	1,558	429
Other expenses	403	1,531	4.6	403	1,531
Library book revaluation	-	84	4.7	-	84
Total expenses	61,951	54,570		61,582	54,570
Surplus for the year	3,621	9,781		3,418	9,781
Other comprehensive income					
Items that will not be reclassified to surplus or deficit in future periods					
Net asset revaluation increment	5,329	46,371	6.2	5,329	46,371
Total comprehensive result	8,950	56,152		8,747	56,152

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

Balance Sheet
As at 30 June 2019

	Consolidated		Note	Council	
	2019 \$'000	2018 \$'000		2019 \$'000	2018 \$'000
Current assets					
Cash and cash equivalents	6,453	12,140	5.1(a)	6,129	12,140
Trade and other receivables	7,122	4,064	5.1(c)	7,085	4,064
Other financial assets	14,810	19,833	5.1(b)	14,810	19,833
Inventories	-	1	5.2(a)	-	1
Non-current assets classified as held for sale	2,110	3,788	6.1	2,110	3,788
Investments in associates	-	-	6.3(a)	-	-
Other assets	641	402	5.2(b)	641	402
Total current assets	31,136	40,228		30,775	40,228
Non-current assets					
Trade and other receivables	4	7	5.1(c)	4	7
Other financial assets	10	10	5.1(b)	10	10
Property, infrastructure, plant and equipment	556,229	532,850	6.2	556,176	532,850
Intangible assets	1,369	1,684	5.2(c)	1,369	1,684
Total non-current assets	557,612	534,551		557,559	534,551
Total assets	588,748	574,779		588,334	574,779
Liabilities					
Current liabilities					
Trade and other payables	8,220	4,413	5.3(a)	8,174	4,413
Trust funds and deposits	1,488	1,237	5.3(b)	1,488	1,237
Provisions	5,210	5,042	5.5	5,197	5,042
Interest-bearing liabilities	442	552	5.4	442	552
Total current liabilities	15,360	11,244		15,301	11,244
Non-current liabilities					
Provisions	16,503	15,310	5.5	16,503	15,310
Interest-bearing liabilities	7,743	8,185	5.4	7,743	8,185
Total non-current liabilities	24,246	23,495		24,246	23,495
Total liabilities	39,606	34,739		39,547	34,739
Net assets	549,142	540,040		548,787	540,040
Equity					
Contributed Equity	152	-		-	-
Accumulated surplus	178,564	175,550		178,361	175,550
Reserves	370,426	364,490	9.1	370,426	364,490
Total Equity	549,142	540,040		548,787	540,040

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

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

Consolidated	Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves		Contributed Equity	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at beginning of the financial year		540,040	483,888	175,550	169,354	353,029	306,658	11,461	7,876	-	-
Surplus for the year		3,621	9,781	3,621	9,781	-	-	-	-	-	-
Contributed equity		152	-	-	-	-	-	-	-	152	-
Net asset revaluation increment	9.1	5,329	46,371	-	-	5,329	46,371	-	-	-	-
Transfers to other reserves	9.1	-	-	(6,477)	(6,502)	-	-	6,477	6,502	-	-
Transfers from other reserves	9.1	-	-	5,870	2,917	-	-	(5,870)	(2,917)	-	-
Balance at end of the financial year		549,142	540,040	178,564	175,550	358,358	353,029	12,068	11,461	152	-

Council	Note	Total Equity		Accumulated Surplus		Asset Revaluation Reserve		Other Reserves		Other Reserves	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at beginning of the financial year		540,040	483,888	175,550	169,354	353,029	306,658	11,461	7,876	-	-
Surplus for the year		3,418	9,781	3,418	9,781	-	-	-	-	-	-
Net asset revaluation increment	9.1	5,329	46,371	-	-	5,329	46,371	-	-	-	-
Transfers to other reserves	9.1	-	-	(6,477)	(6,502)	-	-	6,477	6,502	-	-
Transfers from other reserves	9.1	-	-	5,870	2,917	-	-	(5,870)	(2,917)	-	-
Balance at end of the financial year		548,787	540,040	178,361	175,550	358,358	353,029	12,068	11,461	-	-

The Statements of Change in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows
For the Year Ended 30 June 2019

	Consolidated			Council	
	2019 \$'000	2018 \$'000	Note	2019 \$'000	2018 \$'000
Cash flows from operating activities					
Rates and charges	32,119	30,668		32,119	30,668
Statutory fees and fines	1,202	1,212		1,202	1,212
User charges	5,616	7,383		5,023	7,383
Grants - operating	15,082	14,743		15,082	14,743
Grants - capital	4,544	5,125		4,544	5,125
Contributions - monetary	593	143		593	143
Interest received	705	653		705	653
Reimbursements	1,312	179		1,312	179
Other receipts	48	209		48	209
Net GST payment/refund	616	(16)		616	(16)
Employee costs	(23,027)	(22,252)		(23,027)	(22,252)
Materials and services	(17,206)	(16,966)		(16,845)	(16,966)
Trust funds and deposits repaid	251	216		251	216
Net cash provided by operating activities	21,855	21,297	9.2	21,623	21,297
Cash flows from investing activities					
Payments for property, infrastructure, plant and equipment	(32,844)	(12,296)		(32,826)	(12,296)
Proceeds from sale of property, infrastructure, plant and equipment	1,092	1,030		1,092	1,030
Proceeds/Payments for investments	5,023	(4,160)		5,023	(4,160)
Net cash used in investing activities	(26,729)	(15,426)		(26,711)	(15,426)
Cash flows from financing activities					
Finance costs	(371)	(427)		(371)	(427)
Contributed capital	110	-		-	-
Repayment of borrowings	(552)	(865)		(552)	(865)
Net cash used in financing activities	(813)	(1,292)		(923)	(1,292)
Net increase in cash and cash equivalents	(5,687)	4,579		(6,011)	4,579
Cash and cash equivalents at the beginning of the financial year	12,140	7,561		12,140	7,561
Cash and cash equivalents at the end of the financial year	6,453	12,140	5.1(a)	6,129	12,140
Financing arrangements			5.6		
Restrictions on cash assets			5.1		

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

Statement of Capital Works For the Year Ended 30 June 2019

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Land				
Land improvements	85	232	85	232
Total land	85	232	85	232
Buildings				
Buildings	1,473	370	1,473	370
Building improvements	-	-	-	-
Total Buildings	1,473	370	1,473	370
Total Property	1,558	602	1,558	602
Plant and equipment				
Plant, machinery and equipment	1,346	2,319	1,346	2,319
Fixtures, fittings and furniture	159	26	159	26
Computers and telecommunications	310	293	310	293
Art Collection	-	8	-	8
Library books	183	178	183	178
Total plant and equipment	1,998	2,824	1,998	2,824
Infrastructure				
Roads	17,942	4,079	17,942	4,079
Bridges	446	283	446	283
Footpaths and cycleways	554	463	554	463
Drainage	1,621	885	1,621	885
Recreational, leisure and community facilities	1,944	1,590	1,944	1,590
Waste management	2,307	605	2,307	605
Parks, open space and streetscapes	2,877	9	2,877	9
Aerodromes	16	3	16	3
Off street car parks	54	966	54	966
Other infrastructure	1,513	-	1,513	-
Total infrastructure	29,274	8,883	29,274	8,883
Total capital works expenditure	32,830	12,309	32,830	12,309
Represented by:				
New asset expenditure	19,063	2,176	19,063	2,176
Asset renewal expenditure	10,694	7,019	10,694	7,019
Asset expansion expenditure	113	28	113	28
Asset upgrade expenditure	2,960	3,086	2,960	3,086
Total capital works expenditure	32,830	12,309	32,830	12,309

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

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

OVERVIEW

Introduction

The Wangaratta Rural City Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate. The Council's main office is located at 62-68 Ovens Street, Wangaratta.

Statement of compliance

These financial statements are a consolidated general purpose financial report of Wangaratta Rural City Council and its controlled entity, 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 consolidated 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 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- other areas requiring judgments

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

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

Note 1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent and \$200,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 19 June 2018. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and expenditure

	Budget	Actual	Variance	Variance	
	2019	2019	2019	%	Ref
	\$'000	\$'000	\$'000		
Income					
Rates and charges	32,266	32,189	(77)	0%	
Statutory fees and fines	1,213	1,202	(11)	-1%	
User fees	7,750	8,041	291	4%	1
Grants - operating	9,808	15,082	5,274	54%	2
Grants - capital	5,224	4,544	(680)	-13%	3
Contributions - monetary	343	593	250	73%	4
Contributions - non monetary	-	1,175	1,175	100%	5
Net gain on disposal of property, infrastructure, plant and equipment	2,313	(56)	(2,369)	-102%	6
Other income	446	2,230	1,784	400%	7
Total income	59,363	65,000	5,637	9%	
Expenses					
Employee costs	23,090	23,227	(137)	-1%	
Materials and services	17,433	19,268	(1,835)	-11%	8
Depreciation and amortisation	15,831	17,098	(1,267)	-8%	9
Bad and doubtful debts	-	28	(28)	100%	
Borrowing costs	370	1,558	(1,188)	-321%	10
Other expenses	102	403	(301)	-295%	11
Total expenses	56,826	61,582	(4,756)	-8%	
Surplus for the year	2,537	3,418	881	35%	

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

Note 1 Performance against budget (cont'd)

1.1 Income and expenditure (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	User fees	User fees for rental properties is \$141k higher than budget, Family and Early Childhood \$269k and Aged & Community Care \$222k also higher than budget. Wangaratta Saleyard user fees less than budget \$499k due to the establishment of Wangaratta Livestock Exchange Pty Ltd (WLE).
2	Grants - operating	Council received 50% of the 2019/20 Financial Assistance Grants allocation in June 2019 which were not budgeted for. Operating grants higher than budget include Aged & Community Care \$387k, Projects and Recreation \$342k and Family and Early Childhood Services \$98k.
3	Grants - capital	The receipt of the grant for the Aquatics Plan of \$2.0m deferred to future years.
4	Contributions - monetary	Contributions Monetary for Open Space is \$86k higher than budget due to subdivisions and for Capital Works is \$162k higher than budget due to recreation projects that have sporting club contributions..
5	Contributions - non monetary	Council does not budget for the contribution of non monetary assets.
6	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	The recognition of Written Down Value of land sold was not included in the Adopted Budget.
7	Other income	\$1.2m of natural disaster reimbursements not budgeted for, interest on investments is \$232k higher than budget and \$50k reimbursement from the State Revenue Office not budgeted for.
8	Materials and services	\$1.65m of natural disaster emergency and restoration works undertaken that was not budgeted for. \$569k increased expenditure in Community Care and Packaged care due to increased funding. Economic Development Projects underspent by \$269k. \$167k underspend in the Wangaratta Saleyards. Council established the Wangaratta Livestock Exchange Pty Ltd to operate the Saleyards as a going concern.
9	Depreciation and amortisation	Increase in depreciation due to increased asset values arising from revaluations.
10	Borrowing costs	Borrowing costs include \$1.187m in relation to the increase in provision for landfill arising from changes in discount rates. The changes in discount rates cannot be budgeted for.
11	Other expenses	Councillor expenditure of \$271k is budgeted under Materials and Services. Also the classification of rate assistance rebates of \$43k not budgeted for.

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

Note 1 Performance against budget (cont'd)

1.2 Capital works

	Budget	Actual	Variance	Variance	Ref
	2019	2019	2019	%	
	\$'000	\$'000	\$'000		
Land					
Land improvements	143	85	(58)	-41%	1
Total Land	143	85	(58)	-41%	
Buildings					
Buildings	1,666	1,473	(193)	-12%	2
Total Buildings	1,666	1,473	(193)	-12%	
Total Property	1,809	1,558	(251)	-14%	
Plant and Equipment					
Plant, machinery and equipment	1,826	1,346	(480)	-26%	3
Fixtures, fittings and furniture	305	159	(146)	-48%	4
Computers and telecommunications	767	310	(457)	-60%	5
Art Collection	5	-	(5)	-100%	
Library books	183	183	-	0%	
Total Plant and Equipment	3,086	1,998	(1,088)	-35%	
Infrastructure					
Roads	10,940	17,942	7,002	64%	6
Bridges	548	446	(102)	-19%	7
Footpaths and cycleways	710	554	(156)	-22%	8
Drainage	1,944	1,621	(323)	-17%	9
Recreational, leisure and community facilities	10,676	1,944	(8,732)	-82%	10
Waste management	3,730	2,307	(1,423)	-38%	11
Parks, open space and streetscapes	3,314	2,877	(437)	-13%	12
Aerodromes	855	16	(839)	-98%	13
Off street car parks	52	54	2	4%	
Other infrastructure	1,096	1,513	417	38%	14
Total Infrastructure	33,865	29,274	(4,591)	-14%	
Total Capital Works Expenditure	38,760	32,830	(5,930)	-15%	
Represented by:					
New asset expenditure	22,357	19,063	(3,294)	-15%	
Asset renewal expenditure	11,850	10,694	(1,156)	-10%	
Asset expansion expenditure	103	113	10	10%	
Asset upgrade expenditure	4,450	2,960	(1,490)	-33%	
Total Capital Works Expenditure	38,760	32,830	(5,930)	-15%	

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

Note 1 Performance against budget (cont'd)

1.2 Capital works (cont'd)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land improvements	\$58k Cemetery Development deferred to 2019/20
2	Buildings	\$129k Gallery Feasibility Study deferred to 2019/20
3	Plant, machinery and equipment	\$178k Plant replacement program purchases deferred to 2019/20
4	Fixtures, fittings and furniture	\$302k CBD Street Banners deferred to 2019/20
5	Computers and telecommunications	\$299k Payroll & HRIS Implementation, \$40k Document Scanning Software project and \$113k Building and Planning Online deferred to 2019/20
6	Roads	\$150k Renewal Kerb and Channel and \$157k Williams Road Kerb and Channel deferred to 2019/20. This is offset by brought forward expenditure in relation to Cruse Street of \$7.0m and \$710k Wangaratta - Eldorado/Bourke Road works from additional State Government funding
7	Bridges	\$22k Renewal Bridges deferred to 2019/20
8	Footpaths and cycleways	\$118k CBD Pedestrian Improvements Masterplan deferred to 2019/20
9	Drainage	\$277k Waldara LDRZ Drainage and \$223k Appin Street Drainage Renewal deferred to 2019/20
10	Recreational, leisure and community facilities	\$158k Barr Two Oval Lighting, \$803k HP Barr Oval Drainage, \$7.45m Aquatics Plan - WISAC Development, \$291k Female Friendly Facility Moyhu, \$429k Glenrowan Recreation Reserve, \$306k Glenrowan Recreation Reserve Netball Court and \$15k North Wangaratta Recreation Reserve deferred to 2019/20
11	Waste management	\$1.27m Organics Processing Plant, \$5k Polystyrene Extruder and \$54k Cell 2 and 8 Rehabilitation deferred to 2019/20
12	Parks, open space and streetscapes	\$81k CBD Masterplan (Railway Precinct) and \$32k Rural Township Entrance Plan deferred to 2019/20. CBD Materplan (Ovens St & King George Gardens) was completed under budget by \$345k
13	Aerodromes	\$839K Commercial Hangars construction deferred to 2019/20
14	Other infrastructure	\$455k Additional expenditure in relation to the completion of the Murrell Street Subdivision

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

Note 2.1 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

2 (a) Executive Services

Executive Services has the responsibility for the overall management of operation in accordance with the strategic directions of the Council Plan.

Corporate Services

Corporate Services provides efficient, effective and proactive support services across council to enable the delivery of policy commitments, council vision and mission. The provision of these services includes finance services, property and revenue, payroll, human resources, learning and development, occupational health and safety and risk, media communications, business governance, customer services, information technology, records, business systems and procurement.

Development Services

Development services provides Building, planning and development service to the municipality. These services include Building compliance, planning, local laws, environmental health, school crossings, immunisation, Natural resource management and sustainability, economic development, tourism and aerodrome management.

Community Wellbeing

Community wellbeing provides high quality community focused programs, service delivery and communication to residents. Community Wellbeing is comprised of arts, culture and events, community engagement, Recreation, Family and early Childhood Service, Aged and disability services.

Infrastructure Services

Infrastructure services is responsible for constructing new infrastructure and maintaining existing infrastructure across a very diverse range of assets that underpin the wellbeing of the community. Infrastructure services comprise of Aest planning and inspection, design and development, project management, contract delivery, arboriculture, vegetation management, parks and gardens, turf management, cemetery, waste management and emergency management.

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

Note 2.1 Analysis of Council results by program

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

	Income	Expenses	Surplus / (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2019					
Executive Services	7	985	(978)	0	0
Corporate Services	41,219	5,648	35,571	7,453	1,004
Development Services	2,385	5,969	(3,584)	289	0
Community Wellbeing	10,883	14,930	(4,047)	7,230	1,592
Infrastructure Services	7,780	15,736	(7,956)	4,654	553,580
Unattributed	2,726	18,314	(15,588)	0	0
	65,000	61,582	3,418	19,626	556,176

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$'000	\$'000	\$'000	\$'000	\$'000
2018					
Executive Services	32	804	(772)	0	0
Corporate Services	39,299	5,730	33,569	7,045	1,004
Development Services	2,936	5,588	(2,652)	192	0
Community Wellbeing	10,937	13,474	(2,537)	7,352	1,395
Infrastructure Services	9,128	14,695	(5,567)	5,279	530,451
Unattributed	2,019	14,279	(12,260)	0	0
	64,351	54,570	9,781	19,868	532,850

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

Note 3 Funding for the delivery of our services

3.1 Rates and charges

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of land plus buildings and other improvements.

The valuation base used to calculate general rates for 2018/19 was \$5,521,530,000 (2017/18 \$4,995,225,000).

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
General Rates	11,641	11,487	11,641	11,487
Rural	5,704	5,393	5,704	5,393
Rural residential	4,657	4,441	4,657	4,441
Commercial/industrial	115	3,970	115	3,970
Commercial	2,839	-	2,839	-
Industrial	1,129	-	1,129	-
Cultural and recreational	21	25	21	25
Garbage	2,860	2,658	2,860	2,658
Recycling	1,722	1,415	1,722	1,415
Organics	1,320	1,238	1,320	1,238
Supplementary rates and rate adjustments	181	111	181	111
Total rates and charges	32,189	30,738	32,189	30,738

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

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

3.2 Statutory fees and fines

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Animal Registrations	369	361	369	361
Vehicle Crossing	25	20	25	20
Health fees	156	201	156	201
Infringements and costs	341	203	341	203
Land information certificates	28	25	28	25
Planning and building fees	269	360	269	360
Election Fines	4	32	4	32
Library Fines	10	10	10	10
Total statutory fees and fines	1,202	1,212	1,202	1,212

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

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

Note 3 Funding for the delivery of our services (cont'd)

3.3 User fees

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Aged and disability services	1,073	874	1,073	874
Aerodrome	6	7	6	7
Building and planning fees	288	174	288	174
Cemetery	298	310	298	310
Children's services	2,221	1,942	2,221	1,942
Community compliance	15	14	15	14
Events	9	3	9	3
Engineering fees	158	51	158	51
External private works	42	43	42	43
Landfill and transfer station charges	1,858	1,881	1,858	1,881
Library	136	152	136	152
Livestock exchange fees	607	510	35	510
Parking	398	423	398	423
Performing arts and culture	584	460	584	460
Regional Certification	9	37	9	37
Rental properties	603	538	603	538
Tourism	27	33	27	33
Other	281	295	281	295
Total user fees	8,613	7,747	8,041	7,747

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

3.4 Funding from other levels of government

Grants were received in respect of the following :

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Summary of grants				
Commonwealth funded grants	12,922	14,657	13,061	14,657
State funded grants	6,565	5,211	6,565	5,211
Total grants received	19,487	19,868	19,626	19,868

(a) Operating Grants

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Recurrent - Commonwealth Government				
Community Support North East - Commonwealth funded programs	4,392	5,034	4,392	5,034
Financial Assistance Grants - local roads	2,398	2,356	2,398	2,356
Financial Assistance Grants - unallocated	5,056	4,652	5,056	4,652
Recurrent - State Government				
Aged and disability	478	434	478	434
Community Support North East - DHS funded programs	-	-	-	-
Culture and recreation	172	206	172	206
Emergency	60	110	60	110
Environment	33	27	33	27
Family day care	580	641	580	641
Library	230	224	230	224
Maternal and child health	435	358	435	358
Youth Services	70	72	70	72
Other	186	91	186	91
Total recurrent operating grants	14,090	14,205	14,090	14,205

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

3.4 Funding from other levels of government (cont'd)

(a) Operating Grants (cont'd)

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-recurrent - Commonwealth Government				
Community Wellbeing	-	13	-	13
Non-recurrent - State Government				
Cultural development	627	244	627	244
Age and disability	-	102	-	102
Environmental enhancement	108	46	108	46
Waste	-	45	-	45
Corporate Services	82	38	82	38
Children's Services	118	-	118	-
Levy bank repairs	14	-	14	-
Economic development	-	35	-	35
Events	5	-	5	-
Youth Services	-	12	-	12
Library	-	2	-	2
Family and children	-	1	-	1
People and Culture	2	-	2	-
Planning	1	-	1	-
Tourism projects	35	-	35	-
Total non-recurrent operating grants	992	538	992	538
Total operating grants	15,082	14,743	15,082	14,743

(b) Capital Grants

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Recurrent - Commonwealth Government				
Roads to recovery	1,076	2,584	1,076	2,584
Total recurrent capital grants	1,076	2,584	1,076	2,584

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

3.4 Funding from other levels of government (cont'd)

(b) Capital Grants (cont'd)

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-recurrent - Commonwealth Government				
Mitchell Ave Park Project	-	18	-	18
Aquatics plan - WSAC Development	129	-	129	-
Wangaratta Aerodrome - Commercial Hangars	10	-	10	-
Non-recurrent - State Government				
Wangaratta-Eldorado Road / Bourke Road Intersection	710	-	710	-
Coronation Pre School	335	-	335	-
Railway Precinct	300	-	300	-
Organics processing plant	236	-	236	-
Bus Shelter Construction	204	31	204	31
Mitchell Avenue Children's Garden Construction	180	-	180	-
E-waste infrastructure	98	-	98	-
Wangaratta Flood Mitigation Strategy and Design - Areas Prot	590	-	590	-
Sisely Avenue / Swan Street Intersection	116	-	116	-
Design - Greta Rd/Mason St Roundabout Improvement	153	-	153	-
Safe pedestrian crossings	30	107	30	107
South Wangaratta Reserve Lighting Upgrade	207	-	207	-
Bridge Renewal	10	24	10	24
Appin Park Lighting	10	-	10	-
WJ Findlay Oval Lighting	150	-	150	-
North Wangaratta Recreation Reserve	-	2,000	-	2,000
City Oval Tennis Precinct - Stage One Buildings	-	102	-	102
Glenrowan Recreation Reserve Project	-	90	-	90
Glenrowan Recreation Reserve Kelly Tigers Netball Court	-	90	-	90
Oxley School Carpark sealing	-	50	-	50
Moyhu Tennis Multiuse Project	-	9	-	9
Tennis Cluster Project Lighting	-	9	-	9
Wareena Park Lighting and Pavilion Development	-	9	-	9
Kyamba Foundation	-	2	-	2
Total non-recurrent capital grants	3,468	2,541	3,468	2,541
Total capital grants	4,544	5,125	4,544	5,125

(c) Unspent grants received on condition that they be spent in a specific manner

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at start of year	2,519	1,537	2,519	1,537
Received during the financial year and remained unspent at balance date	1,747	1,566	1,747	1,566
Received in prior years and spent during the financial year	2,519	584	2,519	584
Balance at year end	1,747	2,519	1,747	2,519

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

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

3.5 Contributions

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Monetary	593	143	593	143
Non-monetary	1,175	2,561	1,175	2,561
Total contributions	1,768	2,704	1,768	2,704
<i>Contributions of non monetary assets were received in relation to the following asset classes.</i>				
Artwork	-	79	-	79
Drainage	505	1,368	505	1,368
Paths	60	169	60	169
Roads (including Kerbing)	610	945	610	945
Total non-monetary contributions	1,175	2,561	1,175	2,561

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

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Proceeds of sale	1,092	1,030	1,092	1,030
Written down value of assets disposed	(1,148)	(623)	(1,148)	(623)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	- 56	407	- 56	407

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Interest	705	653	705	653
Reimbursements - other	104	179	104	179
Reimbursements - Natural disasters	1,208	806	1,208	806
Found Assets - Paths	165	-	165	-
Other	48	30	48	30
Total other income	2,230	1,668	2,230	1,668

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.

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

Note 4 The cost of delivering services

4.1 Employee costs

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Wages and salaries	17,994	17,248	17,834	17,248
Annual leave and long service leave	2,940	2,527	2,927	2,527
WorkCover	199	163	198	163
Superannuation	1,885	1,928	1,871	1,928
Redundancy	115	215	115	215
Other	282	281	282	281
Total employee costs	23,415	22,362	23,227	22,362

(b) Superannuation

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Council made contributions to the following funds:				
Defined benefit fund				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	94	95	94	95
	94	95	94	95
Employer contributions payable at reporting date.	-	-	-	-
Accumulation funds				
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	1,293	1,330	1,293	1,330
Employer contributions - other funds	694	503	680	503
	1,987	1,833	1,973	1,833
Employer contributions payable at reporting date.	87	181	87	181

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

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

4.2 Materials and services

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Contract payments	6,053	5,104	6,053	5,104
Plant operating	3,462	3,243	3,462	3,243
Packaged care brokerage	1,526	1,276	1,526	1,276
Other materials and services	1,474	832	1,474	832
Utilities	1,106	1,068	1,106	1,068
Community grants and contributions	979	660	979	660
Consultants	842	1,034	842	1,034
Levies and licences	1,036	952	1,036	952
Software maintenance	477	511	477	511
Insurance	472	412	472	412
Staff development	324	294	324	294
Advertising and promotion	246	256	246	256
Security	208	194	208	194
Packaged care unspent funds transferred	181	225	181	225
Telephone	127	248	127	248
Brokerage fees - HACC	123	-	123	-
Legal Expenses	102	164	102	164
Consultants - Natural disasters	89	28	89	28
Postage	87	88	87	88
Bank charges	74	78	74	78
Minor equipment	72	86	72	86
Printing and stationery	71	98	71	98
Subscriptions & publications	64	160	64	160
Building maintenance	31	27	31	27
Valuation Contract	24	123	24	123
Plant and equipment maintenance	18	11	18	11
Consultants - North Wangaratta Recreation Reserve	-	40	-	40
Livestock exchange	175	-	-	-
Total materials and services	19,443	17,212	19,268	17,212

4.3 Depreciation and amortisation

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Property	1,252	1,514	1,252	1,514
Plant and equipment	2,493	1,918	2,487	1,918
Infrastructure	13,044	9,218	13,044	9,218
Total depreciation	16,789	12,650	16,783	12,650
Intangible assets	315	294	315	294
Total depreciation and amortisation	17,104	12,944	17,098	12,944

Refer to note 5.2(c) and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

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

4.4 Bad and doubtful debts

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Parking fine debtors	28	8	28	8
Total bad and doubtful debts	28	8	28	8

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Movement in provisions for doubtful debts				
Balance at the beginning of the year	127	119	127	119
New Provisions recognised during the year	28	8	28	8
Balance at end of year	155	127	155	127

Provision for doubtful debts is recognised based on expected credit loss model. This model considers both historic and forward looking information in determining level of impairment.

4.5 Borrowing costs

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Interest - Borrowings	371	427	371	427
Increase in provision for landfill arising from changes in discount rates	1,187	2	1,187	2
Total borrowing costs	1,558	429	1,558	429

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

4.6 Other expenses

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	39	46	39	46
Auditors' remuneration - Internal	43	76	43	76
Councillors' allowances	271	268	271	268
Assets written-off / impaired - Waste management assets	-	1,013	-	1,013
WIP reallocated to expenditure	-	121	-	121
Pension rebate -Recycling	43	-	43	-
New industry rate assistance	7	7	7	7
Total other expenses	403	1,531	403	1,531

4.7 Library book revaluation

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Recognition of Library book revaluation	-	84	-	84
Total library book revaluation	-	84	-	84

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

Note 5 Our financial position

5.1 Financial assets

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Cash and cash equivalents				
Cash on hand	6	5	6	5
Cash at bank	804	1,635	480	1,635
Money market at call account	5,643	8,500	5,643	8,500
Term deposits	-	2,000	-	2,000
Total cash and cash equivalents	6,453	12,140	6,129	12,140
(b) Other financial assets				
Term deposits - current	14,810	19,833	14,810	19,833
Municipal Association Purchasing Scheme (MAPS) at cost	10	10	10	10
Total other financial assets	14,820	19,843	14,820	19,843
Total financial assets	21,273	31,983	20,949	31,983

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
- Grants (Note 3.4)	1,747	2,519	1,747	2,519
- Trust funds and deposits (Note 5.3)	1,488	1,237	1,488	1,237
Total restricted funds	3,235	3,756	3,235	3,756
Total unrestricted cash and cash equivalents	3,218	8,384	2,894	8,384

Intended allocations

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
- reserve funds allocated for specific future purposes (Note 9.1(b))	12,067	11,460	12,067	11,460
Total funds subject to intended allocations	12,067	11,460	12,067	11,460

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

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

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

5.1 Financial assets (cont'd)

(a) Trade and other receivables

Current	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Statutory receivables				
Rates and garbage debtors	1,021	951	1,021	951
Fire services property levy	141	148	141	148
Cemetery	40	29	40	29
Net GST receivable	1,017	401	1,017	401
Parking and animal infringement debtors	587	423	587	423
Less provision for doubtful debts - parking infringements	(155)	(127)	(155)	(127)
Interest on rates and garbage receivable and investments	130	178	130	178
Non statutory receivables				
Natural disaster reimbursements	1,582	594	1,582	594
Livestock Exchange	37	-	-	-
Other debtors	2,718	1,463	2,718	1,463
Loans and advances to community organisations	4	4	4	4
Total current trade and other receivables	7,122	4,064	7,085	4,064
Non-current				
Non statutory receivables				
Loans and advances to community organisations	4	7	4	7
Total non-current trade and other receivables	4	7	4	7
Total trade and other receivables	7,126	4,071	7,089	4,071

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.

(b) Ageing of Receivables

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current (not yet due)	3,721	1,594	3,690	1,594
Past due by up to 30 days	425	270	420	270
Past due between 31 and 180 days	147	153	147	153
Past due between 181 and 365 days	18	43	17	43
Past due by more than 1 year	30	1	30	1
Total trade & other receivables	4,341	2,061	4,304	2,061

(c) Ageing of individually impaired Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default. The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

The ageing of receivables that have been individually determined as impaired at reporting date was:

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current (not yet due)	-	-	-	-
Past due by up to 30 days	-	-	-	-
Past due between 31 and 180 days	-	-	-	-
Past due between 181 and 365 days	-	-	-	-
Past due by more than 1 year	-	-	-	-
Total trade & other receivables	-	-	-	-

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

5.2 Non-financial assets

(a) Inventories

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Inventories held for distribution	-	1	-	1
Total inventories	-	1	-	1

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

(b) Other assets

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Prepayments	641	402	641	402
Total other assets	641	402	641	402

(c) Intangible assets

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Landfill air space	1,369	1,684	1,369	1,684
Total intangible assets	1,369	1,684	1,369	1,684
	Landfill \$'000	Total \$'000	Landfill \$'000	Total \$'000
Gross carrying amount				
Balance at 1 July 2018	2,273	2,273	2,273	2,273
Other Additions	-	-	-	-
Balance at 1 July 2019	2,273	2,273	2,273	2,273
Accumulated amortisation and impairment				
Balance at 1 July 2018	589	295	589	295
Amortisation expense	315	294	315	294
Balance at 1 July 2019	904	589	904	589
Net book value	1,369	1,684	1,369	1,684

Intangible assets with finite lives are amortised as an expense on a systematic basis over the asset's useful life. Amortisation is generally calculated on a straight line basis, at a rate that allocates the asset value, less any estimated residual value over its estimated useful life. Estimates of the remaining useful lives and amortisation method are reviewed at least annually, and adjustments made where appropriate.

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

5.3 Payables

(a) Trade and other payables

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Materials and contracts	5,196	2,624	5,179	2,624
Employee costs	1,144	940	1,144	940
Unearned income	1,627	712	1,627	712
Accrued expenses	232	137	224	137
June BAS Livestock	21	-	-	-
Total trade and other payables	8,220	4,413	8,174	4,413

(b) Trust funds and deposits

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Retention contract deposits	382	242	382	242
Refundable subdivision securities	522	427	522	427
Refundable relocate dwellings	31	31	31	31
Fire Services Property Levy	337	344	337	344
Wangaratta Performing Arts Centre	171	176	171	176
Other	45	17	45	17
Total trust funds and deposits	1,488	1,237	1,488	1,237

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

	Consolidated		Council	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current				
Borrowings - secured	442	552	442	552
Non-current				
Borrowings - secured	7,743	8,185	7,743	8,185
Total	8,185	8,737	8,185	8,737
The maturity profile for Council's borrowings is:				
Not later than one year	442	552	442	552
Later than one year and not later than five years	691	1,133	691	1,133
Later than five years	7,052	7,052	7,052	7,052
Total	8,185	8,737	8,185	8,737

Borrowings are secured over the rates & charges of Council.

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.

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

5.5 Provisions

	Employee \$ '000	Landfill restoration \$ '000	Total \$ '000
2019			
Balance at beginning of the financial year	5,675	14,677	20,352
Additional provisions	2,982	-	2,982
Amounts used	(2,821)	-	(2,821)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	1,187	1,187
Balance at the end of the financial year	5,836	15,864	21,700
2018			
Balance at beginning of the financial year	5,859	13,679	19,538
Additional provisions	2,634	996	3,630
Amounts used	(2,818)	-	(2,818)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	-	2	2
Balance at the end of the financial year	5,675	14,677	20,352

(a) Employee provisions

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current provisions expected to be wholly settled within 12 months				
Redundancy	-	53	-	53
Annual leave	1,982	1,963	1,972	1,963
Long service leave	266	282	266	282
Rostered days off	254	245	254	245
Time accrued	139	122	136	122
	2,641	2,665	2,628	2,665
Current provisions expected to be wholly settled after 12 months				
Annual leave	82	31	82	31
Long service leave	2,487	2,346	2,487	2,346
	2,569	2,377	2,569	2,377
Total current employee provisions	5,210	5,042	5,197	5,042
Non-current				
Long service leave	639	633	639	633
Total non-current employee provisions	639	633	639	633
Aggregate carrying amount of employee provisions:				
Current	5,197	5,042	5,197	5,042
Non-current	639	633	639	633
Total aggregate carrying amount of employee provisions	5,836	5,675	5,836	5,675

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.

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

5.5 Provisions (cont'd)

(a) Employee provisions (cont'd)

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:

	Consolidated		Council	
	2019	2018	2019	2018
- discount rate	2.30%	2.65%	2.30%	2.65%
- index rate	-	-	-	-
- inflation rate	1.50%	1.50%	1.50%	1.50%
- settlement rate	-	-	-	-

Probabilities of staff reaching their entitlements are based on managements best estimate and history.

(b) Landfill restoration

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current	-	-	-	-
Non-current	15,864	14,677	15,864	14,677
	15,864	14,677	15,864	14,677

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

Key assumptions:

	Consolidated		Council	
	2019	2018	2019	2018
- index rate	2.91%	2.14%	2.91%	2.14%
- discount rate	1.61%	1.61%	1.61%	1.61%

Annual discount rates are taken from the Reserve Bank of Australia Capital Market Yields Government Bonds.

5.6 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2019.

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Bank overdraft	400	400	400	400
Credit card facilities	213	213	213	213
Total facilities	613	613	613	613
Used facilities	29	21	29	21
Unused facilities	584	592	584	592

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

5.7 Commitments

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

Council 2019	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling contract	996	996	996	-	2,987
Co Store car park licence	462	470	1,450	5,001	7,382
Interest on borrowings	377	343	948	616	2,285
Management of pools	382	-	-	-	382
Environmental Monitoring - Bowser Landfill	234	234	-	-	469
HVAC Services maintenance	107	107	-	-	213
High Country Library Network - Operations Contribution	176	-	-	-	176
Total	2,734	2,149	3,394	5,617	13,893
Capital					
WSAC aquatics	12,174	6,020	-	-	18,194
Road reconstruction Eldorado	31	-	-	-	31
Major Patchings	222	-	-	-	222
Female friendly change room - Glenrowan Rec Reserve	452	-	-	-	452
Female friendly change room - Moyhu Rec Reserve	125	-	-	-	125
Osboldstone & Sisley Avenue Interchange Upgrade	334	-	-	-	334
Cruse Street	590	-	-	-	590
Williams Road Kerb & Channel	237	-	-	-	237
Wangaratta-Eldorado Road, Bourke Road Intersection	200	-	-	-	200
Supply and Installation of Light Towers Sth Wang Reserve	315	-	-	-	315
Construction of Organic Plant - Bowser East, Nth Wang	2,947	-	-	-	2,947
Glenrowan - Netball Court Construction	303	-	-	-	303
High Country Library Network - Book Contribution	199	-	-	-	199
Appin Street Drainage	54	-	-	-	54
Total	18,183	6,020	-	-	24,204
Council 2018					
	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
Operating					
Recycling contract	996	996	1,991	-	3,982
Co Store car park licence	455	462	1,429	5,821	8,168
Interest on borrowings	415	373	977	924	2,688
Management of pools	382	382	-	-	763
Environmental Monitoring - Bowser Landfill	234	234	234	-	703
HVAC Services maintenance	107	107	107	-	320
High Country Library Network - Operations Contribution	176	176	-	-	352
Total	2,764	2,729	4,738	6,745	16,976
Capital					
Road Reconstruction - Thomson Street	627	-	-	-	627
Civil Works - Organics Plant	603	-	-	-	603
North Wangaratta - Recreation Reserve Rectification	598	-	-	-	598
Moyhu streetscape and drainage	461	-	-	-	461
HP Barr reserve roof	308	-	-	-	308
Organics Plant Purchase	366	-	-	-	366
High Country Library Network - Book Contribution	199	199	-	-	398
Williams Road Bridge Overlay	190	-	-	-	190
Various Isolated Kerb & Channel Renewal	116	-	-	-	116
Turner Street footbridge	95	-	-	-	95
Total	3,563	199	-	-	3,762

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

5.7 Commitments (cont'd)

Operating lease commitments

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not later than one year	86	127	86	127
Later than one year and not later than five years	28	114	28	114
Later than five years	-	-	-	-
Total operating lease payable	114	241	114	241

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

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Balance at start of year	3,788	777	3,788	777
Revaluation of assets held for sale	-	-	-	-
Less assets disposed	(677)	(497)	(677)	(497)
Less assets no longer held for sale	(1,001)	-	(1,001)	-
Assets transferred from IPP&E	-	3,508	-	3,508
Total non current assets classified as held for sale	2,110	3,788	2,110	3,788

Assets held for sale include industrial land of \$850,000 and the old Ovens College site of \$1,260,462.

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

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

Consolidated

Category	Fair Value 30 June 2018 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Found Assets \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Transfers WIP \$'000	Fair Value 30 June 2019 \$'000
Property	92,384	3,613	-	-		(1,252)	-	-	1,001	87	95,833
Plant and equipment	12,210	1,959	-	29		(2,493)	(86)	-	-	36	11,655
Infrastructure	424,164	8,391	1,175	5,300	165	(13,044)	(310)	-	-	1,715	427,556
Work in progress	4,093	18,931	-	-		-	-	-	-	(1,838)	21,186
	532,850	32,894	1,175	5,329	165	(16,789)	(396)	-	1,001	-	556,229

Council

Category	Fair Value 30 June 2018 \$'000	Additions \$'000	Contributions \$'000	Revaluation \$'000	Found Assets \$'000	Depreciation \$'000	Disposal \$'000	Write-off \$'000	Transfers \$'000	Transfers WIP \$'000	Fair Value 30 June 2019 \$'000
Property	92,384	3,613	-	-		(1,252)	-	-	1,001	87	95,833
Plant and equipment	12,210	1,900	-	29		(2,487)	(86)	-	-	36	11,602
Infrastructure	424,164	8,391	1,175	5,300	165	(13,044)	(310)	-	-	1,715	427,556
Work in progress	4,093	18,931	-	-		-	-	-	-	(1,838)	21,186
	532,850	32,835	1,175	5,329	165	(16,783)	(396)	-	1,001	-	556,176

Summary of Work in Progress

Council/Consolidated

Category	Balance 30 June 2018 \$'000	Additions \$'000	Write Offs \$'000	Transfers \$'000	Balance 30 June 2019 \$'000
Property	287	495	-	(87)	695
Plant and equipment	220	102	-	(36)	286
Infrastructure	3,586	18,334	-	(1,715)	20,205
Total	4,093	18,931	-	(1,838)	21,186

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

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

(a) Property

Council/Consolidated

	Land				Buildings			Work In Progress	Property Total
	Specialised	Non-specialised	Improvements	Total	Heritage	Non-specialised	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
At fair value 30 June 2018	23,884	29,452	18,628	71,964	2,751	84,210	86,961	287	159,212
Accumulated depreciation at 30 June 2018	-	-	(12,457)	(12,457)	(2,336)	(51,749)	(54,085)	-	(66,542)
Fair value 30 June 2018	23,884	29,452	6,171	59,507	415	32,461	32,876	287	92,670
Movements in fair value									
Additions	-	-	2,141	2,141	-	1,472	1,472	495	4,108
Contributions	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-
Transfer from assets held for sale	-	1,001	-	1,001	-	-	-	-	1,001
Transfers from WIP	-	-	87	87	-	-	-	(87)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Total	-	1,001	2,228	3,229	-	1,472	1,472	408	5,109
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	(173)	(173)	(19)	(1,060)	(1,079)	-	(1,252)
Revaluation	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
Total	-	-	(173)	(173)	(19)	(1,060)	(1,079)	-	(1,252)
At fair value 30 June 2019	23,884	30,453	20,856	75,193	2,751	85,682	88,433	695	164,321
Accumulated depreciation at 30 June 2019	-	-	(12,630)	(12,630)	(2,355)	(52,809)	(55,164)	-	(67,794)
Fair Value/Written Down Value 30 June 2019	23,884	30,453	8,226	62,563	396	32,873	33,269	695	96,527

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

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

(b) Plant and Equipment

Consolidated

	Plant					Total plant and equipment	Work In Progress	Total plant and equipment
	machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Art Collection			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	20,582	1,597	3,664	1,559	846	28,248	220	28,468
Accumulated depreciation at 1 July 2018	(11,521)	(957)	(2,550)	(1,010)	-	(16,038)	-	(16,038)
Fair Value 30 June 2018	9,061	640	1,114	549	846	12,210	220	12,430
Movements in fair value								
Additions	1,484	-	291	184	-	1,959	102	2,061
Revaluation	-	-	-	(57)	-	(57)	-	(57)
Disposal	(1,428)	(10)	-	-	-	(1,438)	-	(1,438)
Transfers from WIP	-	-	36	-	-	36	(36)	-
Total	56	(10)	327	127	-	500	66	566
Movements in accumulated depreciation								
Depreciation and amortisation	(2,010)	(30)	(437)	(16)	-	(2,493)	-	(2,493)
Revaluation	-	-	-	86	-	86	-	86
Accumulated depreciation of disposals	1,342	10	-	-	-	1,352	-	1,352
Total	(668)	(20)	(437)	70	-	(1,055)	-	(1,055)
At fair value 30 June 2019	20,638	1,587	3,991	1,686	846	28,748	286	29,034
Accumulated depreciation at 30 June 2019	(12,189)	(977)	(2,987)	(940)	-	(17,093)	-	(17,093)
Fair Value/Written Down Value 30 June 2019	8,449	610	1,004	746	846	11,655	286	11,941

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

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

(b) Plant and Equipment (cont'd)

Council

	Plant					Total plant and equipment	Work In Progress	Total plant and equipment
	machinery and equipment	Fixtures fittings and furniture	Computers and telecomms	Library books	Art Collection			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	20,582	1,597	3,664	1,559	846	28,248	220	28,468
Accumulated depreciation at 1 July 2018	(11,521)	(957)	(2,550)	(1,010)	-	(16,038)	-	(16,038)
Fair Value 30 June 2018	9,061	640	1,114	549	846	12,210	220	12,430
Movements in fair value								
Additions	1,425	-	291	184	-	1,900	102	2,002
Revaluation	-	-	-	(57)	-	(57)	-	(57)
Disposal	(1,428)	(10)	-	-	-	(1,438)	-	(1,438)
Transfers from WIP	-	-	36	-	-	36	(36)	-
Total	(3)	(10)	327	127	-	441	66	507
Movements in accumulated depreciation								
Depreciation and amortisation	(2,004)	(30)	(437)	(16)	-	(2,487)	-	(2,487)
Revaluation	-	-	-	86	-	86	-	86
Accumulated depreciation of disposals	1,342	10	-	-	-	1,352	-	1,352
Total	(662)	(20)	(437)	70	-	(1,049)	-	(1,049)
At fair value 30 June 2019	20,579	1,587	3,991	1,686	846	28,689	286	28,975
Accumulated depreciation at 30 June 2019	(12,183)	(977)	(2,987)	(940)	-	(17,087)	-	(17,087)
Fair Value/Written Down Value 30 June 2019	8,396	610	1,004	746	846	11,602	286	11,888

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

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

(c) Infrastructure

Council/Consolidated

	Roads	Bridges	Footpaths and cycleways	Drainage	Recreational, leisure and community	Waste Management	Parks open spaces and streetscapes	Aerodromes	Off street car parks	Other Infrastructure	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2018	419,324	89,290	23,870	52,365	40,478	17,663	7,671	3,797	3,501	-	3,586	661,545
Accumulated depreciation at 1 July 2018	(139,345)	(22,793)	(8,448)	(15,416)	(21,404)	(16,154)	(6,041)	(3,225)	(969)	-	-	(233,795)
Fair Value 30 June 2018	279,979	66,497	15,422	36,949	19,074	1,509	1,630	572	2,532	-	3,586	427,750
Movements in fair value												
Additions	5,335	317	623	936	772	231	177	-	-	-	18,334	26,725
Contributions	610	-	60	505	-	-	-	-	-	-	-	1,175
Revaluation	-	-	-	-	-	-	-	2,932	-	-	-	2,932
Disposal	(497)	-	(13)	(110)	-	-	-	-	-	-	-	(620)
Write-off	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from WIP	271	208	-	213	1,023	-	-	-	-	-	(1,715)	-
Found Assets	-	-	165	-	-	-	-	-	-	-	-	165
Total	5,719	525	835	1,544	1,795	231	177	2,932	-	-	16,619	30,377
Movements in accumulated depreciation												
Depreciation and amortisation	(9,300)	(1,004)	(709)	(724)	(668)	(213)	(287)	(95)	(44)	-	-	(13,044)
Revaluation	-	-	-	-	-	-	-	2,368	-	-	-	2,368
Accumulated depreciation of disposals	267	-	6	37	-	-	-	-	-	-	-	310
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Total	(9,033)	(1,004)	(703)	(687)	(668)	(213)	(287)	2,273	(44)	-	-	(10,366)
At fair value 30 June 2019	425,043	89,815	24,705	53,909	42,273	17,894	7,848	6,729	3,501	-	20,205	691,922
Accumulated depreciation at 30 June 2019	(148,378)	(23,797)	(9,151)	(16,103)	(22,072)	(16,367)	(6,328)	(952)	(1,013)	-	-	(244,161)
Fair Value/Written Down Value 30 June 2019	276,665	66,018	15,554	37,806	20,201	1,527	1,520	5,777	2,488	-	20,205	447,761

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

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

Acquisition

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

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

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

	Depreciation Period	Threshold Limit
Asset recognition thresholds and depreciation periods		\$'000
Property		
Land		
land improvements	20-90 years	5
land fill assets	1-11 years	1
Buildings		
Plant and Equipment		
plant, machinery and equipment	5-20 years	2
fixtures, fittings and furniture	2-33 years	2
computers and telecommunications	2-33 years	2
library books	6-12 years	
Infrastructure		
road pavements and seals	80 years	10
road formation	200 years	10
road kerb, channel and minor culverts	110 years	10
bridges	20-80 years	10
footpaths	10-110 years	5
bikepaths	15-20 years	3
drainage	100 years	5
recreational, leisure and community facilities	10-100 years	5
parks, open space and streetscapes	10-100 years	5
waste management	1-11 years	5
off street car parks	80 years	5
aerodromes	80 years	5
Intangibles		3-8

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

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

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

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 (excluding land under roads) and buildings was undertaken in 2017 by a qualified independent valuer - Valpac Pty Ltd. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

Any significant movements in the unobservable inputs for land and land under roads will have a significant impact on the fair value of these assets. The date of the current valuation is detailed in the following table.

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

Council	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Non-specialised land	-	3,710	26,743	Jun-17
Specialised land	-	-	23,884	Jun-17
Land Improvements	-	-	8,226	Jun-17
Total land	-	3,710	58,853	
Heritage Buildings	-	-	396	Jun-17
Non-specialised buildings	-	-	32,873	Jun-17
Total buildings	-	-	33,269	

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

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

Valuation of infrastructure

Valuation of infrastructure assets Roads, Bridges, Drainage, Footpaths and Cycleways was undertaken in 2018. The values were determined in accordance with a valuation undertaken by Nicole O'Keefe - Asset Engineer. The valuation was performed based on the depreciated replacement cost of the assets.

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

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

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

Council	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	276,665	May-18
Bridges	-	-	66,018	May-18
Footpaths and cycleways	-	-	15,554	May-18
Drainage	-	-	37,806	May-18
Recreational, leisure and community facilities	-	-	20,201	Jun-17
Waste management	-	-	1,527	Jun-17
Parks, open space and streetscapes	-	-	1,520	Jun-17
Aerodromes	-	-	5,777	Jun-19
Off street car parks	-	-	2,488	Jun-17
Total Infrastructure	-	-	427,556	

Description of significant unobservable inputs into level 3 valuations

Non specialised land, specialised land and land under roads is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$2 and \$210 per square metre.

Non specialised buildings and Specialised buildings are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$75 to \$4,500 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 10 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 200 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

Reconciliation of specialised land

	2019	2018
	\$'000	\$'000
Land under roads	23,884	23,884
Total specialised land	23,884	23,884

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

6.3 Investments in associates and subsidiaries

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Investments in associates				
Investments in associates accounted for by the equity method are:				
- High Country Library Corporation	-	-	-	-

High Country Library Corporation

Background

High Country Library Corporation was established on the 8th August, 1996. The Wangaratta Rural City Council's share of audited assets and liabilities committed to this Corporation was 43%. The High Country Library Corporation was voluntarily wound up and the assets and liabilities were distributed during the year ended 30 June 2018.

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fair value of Council's investment in High Country Library Corporation	-	-	-	-
Council's share of accumulated surplus				
Council's share of accumulated surplus at start of year		161		161
Impairment losses recognised in operating result		7		7
Distributions received		(168)		(168)
Council's share of accumulated surplus at end of year	-	-	-	-
Council's share of reserves				
Council's share of reserves at start of year	-	8	-	8
Transfers (to) from reserves	-	(8)	-	(8)
Council's share of reserves at end of year	-	-	-	-
Movement in carrying value of specific investment				
Carrying value of investment at start of year	-	406	-	406
Share of impairment losses recognised in operating result	-	7	-	7
Share of asset revaluation	-	-	-	-
Distributions received	-	(413)	-	(413)
Carrying value of investment at end of year	-	-	-	-

Principles of consolidation

The consolidated financial statements of Council incorporate all entities controlled by Council as at 30 June 2019, and their income and expenses for that part of the reporting period in which control existed.

Subsidiaries are all entities over which Council has control. Council controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Council. They are deconsolidated from the date that control ceases.

Where dissimilar accounting policies are adopted by entities and their effect is considered material, adjustments are made to ensure consistent policies are adopted in these financial statements.

Entities consolidated into Council include:
Wangaratta Livestock Exchange Pty Ltd

Committees of management

All entities controlled by Council that have material revenues, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full.

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

6.3 Investments in associates and subsidiaries (cont'd)

(b) Subsidiaries

Wangaratta Livestock Exchange

Background

On 1 August 2018, the operations of the Saleyards was taken over by Wangaratta Livestock Exchange Pty Ltd (WLE). WLE manages the Wangaratta Saleyards on the terms set out in a Management Service Agreement between Wangaratta Rural City Council and the WLE. WLE operates the Saleyards as a going concern for the purpose of providing livestock auction facilities and related services.

Summarised financial information

Summarised statement of comprehensive income

Total income
Total expenses
Surplus/(deficit) for the year

Other comprehensive income

Total comprehensive result

Summarised balance sheet

Current assets
Non-current assets
Total assets
Current liabilities
Non-current liabilities
Total liabilities

Net Assets

Summarised statement of cash flows

Net cash provided by / (used in) operating activities
Net cash provided by / (used in) investing activities
Net cash provided by / (used in) financing activities

Net increase / (decrease) in cash and cash equivalents

	2019	2018
	\$'000	\$'000
	573	-
	370	-
	203	-
	-	-
	203	-
	361	-
	54	-
	415	-
	59	-
	-	-
	59	-
	356	-
	232	-
	(18)	-
	110	-
	324	-

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

Note 7 People and relationships

7.1 Council and key management remuneration

(a) Related Parties

Parent entity

Wangaratta Rural City Council is the parent entity.

Subsidiaries and Associates

Interests in subsidiaries and associates are detailed in Note 6.3.

(b) Key Management Personnel

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

Councillors (including dates if not full year)

Name	Dates
Dean Rees (Mayor)	
Mark Currie (Deputy Mayor)	
Harvey Benton	
Harry Bussell	
Ken Clarke OAM	
Ashlee Fitzpatrick	
Dave Fuller	

Chief Executive Officer and other Key Management Personnel

Position	Name
Chief Executive Officer	Brendan McGrath
Director - Infrastructure	Alan Clark
Director - Community Wellbeing	Jaime Chubb
Director - Corporate Services	Sarah Brindley - commenced 12/09/18
Director - Corporate Services	Ruth Kneebone - 01/07/18 - 21/12/18
Director - Development Services	Barry Green - 01/07/18 - 19/10/18
Director - Development Services	Stephen Swart - commenced 15/10/18
Acting Director - Corporate Services	Christopher Gillard - 01/07/18 - 07/09/18
Acting Director - Infrastructure	Christopher Gillard - 10/09/18 - 15/10/18

	2019	2018
Total Number of Councillors	7	8
Total of Chief Executive Officer and other Key Management Personnel	8	5
Total Number of Key Management Personnel	15	13

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

7.1 Council and key management remuneration (cont'd)

(c) Remuneration of Key Management Personnel

Total remuneration of key management personnel was as follows:

	2019	2018
	\$'000	\$'000
Short-term benefits	1,188	1,165
Post-employment benefits	203	219
Long-term benefits	89	-
Termination benefits	120	-
Total	1,600	1,384

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

	2019	2018
\$1 - \$9,999	-	1
\$10,000 - \$19,999	-	1
\$20,000 - \$29,999	3	3
\$30,000 - \$39,999	2	2
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	2	-
\$80,000 - \$89,999	-	1
\$110,000 - \$119,999	-	-
\$120,000 - \$129,999	1	-
\$130,000 - \$139,999	1	-
\$150,000 - \$159,999	1	-
\$180,000 - \$189,999	1	-
\$190,000 - \$199,999	-	1
\$200,000 - \$209,999	-	2
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
\$270,000 - \$279,999	-	-
\$280,000 - \$299,999	1	1
	15	13

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

7.1 Council and key management remuneration (cont'd)

(d) Senior Officer Remuneration

A Senior Officer is an officer of Council, other than Key Management Personnel, who:

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$148,000

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

Income Range:	Consolidated		Council	
	2019	2018	2019	2018
\$148,000 - \$149,999	-	1	-	1
\$150,000 - \$159,999	2	1	2	1
\$160,000 - \$169,999	-	1	-	1
\$170,000 - \$179,999	-	-	-	-
	2	3	2	3
	\$'000	\$'000	\$'000	\$'000
Total Remuneration for the reporting year for Senior Officers included	302	657	302	657

7.2 Related party disclosure

(a) Transactions with related parties

During the period Council entered into the following transactions with

1. Contributions paid to Tourism North East \$180,710 (2017/18 \$130,052).
2. Contributions and fees paid to LG Pro \$2,535 (2017/18 \$4,450).
3. Contributions and fees paid to Business Wangaratta \$4,400 (2017/18 \$540).
4. Contributions paid to the Wangaratta Jazz Festival \$155,000 (2017/18 \$60,500).
5. Contributions and fees paid to Alpine Shire \$387,773 (2017/18 \$353,367). A key management person has a family member in a key management position.

All purchases were at arms length and were in the normal course of Council's operations. Where not stated a key management person was a board member as a result of their position at Council.

(b) Outstanding balances with related parties

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

(c) Loans to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(d) Commitments to/from related parties

Council has no outstanding commitments to/from other related parties.

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

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

(a) Contingent assets

Council does not have contingent assets to disclose at 30 June 2019 (2018 Nil).

Operating lease receivables

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

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

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not later than one year	313	456	313	456
Later than one year and not later than five years	661	1,528	661	1,528
Later than five years	503	672	503	672
	1,477	2,656	1,477	2,656

(b) Contingent liabilities

Superannuation

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

Future superannuation contributions

There were no contributions outstanding and no loans from or to the above schemes as at 30 June 2019. The expected contributions to be paid to the defined Benefit category of Vision Super for the year ended 30 June 2020 are \$130,423

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.

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

8.1 Contingent assets and liabilities (cont'd)

(c) Guarantees for loans to other entities

Council has AS \$5,000 bank guarantee with the Department of Natural Resources & Energy.

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised.

8.2 Change in accounting standards

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

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

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

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

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

Leases (AASB 16) (applies 2019/20)

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

Council has elected to adopt the modified retrospective approach to the transition to the new lease standard. This will mean that only existing operating leases for non low value assets, with remaining terms greater than 12 months, will be recognised on transition (1 July 2019). Based on our current lease commitments and an assumption of a continuation of the current leasing arrangements Council expects that the transition to the new standard will see the initial recognition of \$300,000 in lease related assets and an equivalent liability.

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

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

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

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. 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 our 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.

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

8.3 Financial instruments (cont'd)

(d) Liquidity risk

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

To help reduce these risks Council:

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

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 1.50%.

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

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;

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.

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

8.4 Fair value measurement (cont'd)

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 1 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 known events have occurred after balance date.

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

Note

9 Other matters

9.1 Reserves

9.1(a) Asset revaluation reserve

Consolidated/Council	Balance at beginning of 2018	Increment (Decrement)	Balance at end of 2018	Increment (Decrement)	Balance at end of 2019
	\$'000	\$'000	\$'000	\$'000	\$'000
Property					
Land & land improvements	24,936	-	24,936	-	24,936
Buildings	2,131	-	2,131	-	2,131
Plant & Equipment					
Library books	-	-	-	29	29
Art Collection	239	-	239	-	239
Infrastructure					
Roads	199,241	37,527	236,768	-	236,768
Bridges	53,872	1,313	55,185	-	55,185
Footpaths and cycleways	4,004	599	4,603	-	4,603
Drainage	18,308	6,481	24,789	-	24,789
Recreational, leisure and community facilities	125	-	125	-	125
Parks, open space and streetscapes	2,365	-	2,365	-	2,365
Aerodromes	-	-	-	5,300	5,300
Offstreet car parks	1,437	451	1,888	-	1,888
	306,658	46,371	353,029	5,329	358,358

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

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

9.1 Reserves (cont'd)

(b) Other reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2019	\$'000	\$'000	\$'000	\$'000
Cemetery	61	26	(50)	37
Loans	839	-	-	839
Developers' contributions	100	-	(10)	90
Developers' contribution for recreation	16	126	(63)	79
CSNE integration	135	-	-	135
HACC	147	-	-	147
Industrial land	337	667	(1,609)	(605)
Performing arts centre	3	4	-	7
Replacement of plant	2,692	2,055	(1,298)	3,449
Replacement of plant - CSNE	4	-	-	4
Regional playground	1	-	-	1
Waste and Landfill	5,168	3,510	(2,015)	6,663
Livestock selling complex	90	-	-	90
Unfunded superannuation	544	66	-	610
Municipal Fire & Emergency Mgt Resourcing	163	-	(38)	125
North Wangaratta Recreation Reserve	977	-	(737)	240
Wangaratta Showgrounds	33	-	-	33
WISAC	150	23	(50)	123
Total Other reserves	11,460	6,477	(5,870)	12,067

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

9.1 Reserves (cont'd)

(b) Other reserves

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
2018	\$'000	\$'000	\$'000	\$'000
Cemetery	17	44	-	61
Loans	839	-	-	839
Developers' contributions	243	-	(143)	100
Developers' contribution for recreation	158	-	(142)	16
CSNE integration	135	-	-	135
HACC	147	-	-	147
Industrial land	-	337	-	337
Performing arts centre	2	1	-	3
Replacement of plant	2,554	2,101	(1,963)	2,692
Replacement of plant - CSNE	4	-	-	4
Regional playground	1	-	-	1
Waste and Landfill	3,044	2,793	(669)	5,168
Livestock selling complex	-	90	-	90
Unfunded superannuation	478	66	-	544
Municipal Fire & Emergency Mgt Resourcing	147	16	-	163
North Wangaratta Recreation Reserve	-	977	-	977
Wangaratta Showgrounds	-	33	-	33
WISAC	106	44	-	150
Total Other reserves	7,875	6,502	(2,917)	11,460

The reserves for developer contributions will, upon completion of developments, be utilised to develop recreation and other facilities for residents in the respective development areas.

The Waste and Landfill reserve is for future capital works and rehabilitation of landfill sites.

Replacement of plant reserve is for purchase of plant and equipment per the plant replacement program.

Loans reserve is to cover the future principal repayments of interest only loan via the Local Government Funding Vehicle.

Unfunded superannuation reserve is for possible future defined benefit superannuation calls.

The Municipal Fire & Emergency Management Resourcing reserve is for ongoing fire and emergency management resourcing from State Government funding.

The reserve for the North Wangaratta Recreation Reserve is the unspent funds from \$2 million grant funding received to date from the federal government for remediation as a result of lead contamination.

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

9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)

	Consolidated		Council	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Surplus/(deficit) for the year	3,621	9,781	3,418	9,781
Depreciation and amortisation	17,104	12,944	17,098	12,944
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(56)	(445)	(56)	(445)
Finance costs	371	427	371	427
Fair value decreases - Rehabilitation provisions	-	2	-	2
Contributions - Non-monetary assets	(1,175)	(2,561)	(1,175)	(2,561)
Found Assets	(165)	-	(165)	-
Share of High Country Library Corporation (surplus)/deficit	-	(7)	-	(7)
Bad Debts	28	8	28	8
Assets written-off / impaired	-	1,097	-	1,097
Change in assets and liabilities				
(Increase)/decrease in trade and other receivables	(3,054)	(364)	(3,018)	(364)
(Increase)/decrease in prepayments	(239)	(123)	(239)	(123)
Increase/(decrease) in trade and other payables	3,807	504	3,761	504
(Decrease)/increase in other liabilities	251	216	251	216
(Increase)/decrease in inventories	1	-	1	-
Increase/(decrease) in provisions	1,361	814	1,348	814
(Increase)/decrease in intangible asset	-	(996)	-	(996)
Net cash provided by/(used in) operating activities	21,855	21,297	21,623	21,297

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

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 Operating Statement when they are made or due.

Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2019, 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. Council makes employer contributions to the Defined Benefit category of the Fund at rates determined by the Trustee on the advice of the Fund Actuary. For the year ended 30 June 2019, this rate was 9.5% of members' salaries (9.5% in 2017/2018).

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

Funding Arrangements

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

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

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

Vision Super has advised that the actual VBI at 30 June 2019 was 107.1%.

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

Employer Contributions

Regular Contributions

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

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

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

9.3 Superannuation (cont'd)

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.

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 2018 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 conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2018 and a 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:

	2018	2017
	\$m	\$m
A VBI surplus	\$131.9	\$69.8
A total service liability surplus	\$218.3	\$193.5
A discounted accrued benefits surplus	\$249.1	\$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 2018.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2018.

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 2018.

Council was notified of the 30 June 2018 VBI during August 2018 (2017: August 2017).

The 2019 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2019 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2019.

Project	Carry Forward 2018/19 \$
01573 2014 Aquatics Plan - WISAC Development	671,893
01584 Organics processing plant	558,172
00725 Road Street reconstruction	299,949
01888 Wangaratta Flood Mitigation Strategy and Design	271,548
01846 Wangaratta-Eldorado Road / Bourke Road Intersection Reconstruction	195,784
01999 Plant Replacement 19/20	157,999
01836 Gallery Feasibility Study	128,504
01671 Building and Planning Online	113,008
01788 Glenrowan Recreation Reserve Project	94,722
01755 Female Friendly Facility - Moyhu Recreation Reserve	62,461
01687 Waldara LDRZ Drainage	62,247
01460 Cemetery Development (begin use of undeveloped land)	58,132
01852 Merriwa Park Masterplan Update	57,391
01961 Williams Road Kerb and Channel	57,000
01011 Bicycle path renewal	41,345
01997 Gravel Resheeting Program 19/20	35,358
01938 RPP Glenrowan drainage near preschool	23,503
01895 Concept design - Rowan Street Redevelopment (Ovens to Baker Street)	22,869
01850 Tech1 E-Services	21,880
01600 Renewal - Bridges	21,872
01837 CBD Street Banners 2018	19,104
01970 TAC design grant	16,708
01949 Reid St Lights	14,509
01662 Efficiencies through to Modern technology for parking machines	10,549
01876 Cell 2 and 8 Rehabilitation Construction Specification	8,480
01848 Government Centre - Mechanical Renewal	8,362
01980 Gun Club Rehabilitation	6,448
01893 Murrell Street Subdivision	6,000
01758 Former Yarrunga Pool redevelopment	5,116
01944 South Wangaratta Reserve Lighting Upgrade	1,886
01925 WCSS IS upgrade	1,775
Total Carry Forward	3,054,573