

MELTON CITY COUNCIL

ANNUAL FINANCIAL REPORT
For the Year Ended 30 JUNE 2018



Draft

MELTON CITY COUNCIL
Financial Report
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Certification of the Financial Statements

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

Salvatore Rumoro CPA
Principal Accounting Officer

Dated: September 2018

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

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

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

Cr. Bob Turner
Mayor

Dated: September 2018

Cr. Ken Hardy
Deputy Mayor

Dated: September 2018

Kelvin Tori
Chief Executive Officer

Dated: September 2018

VAGO Report

MELTON CITY COUNCIL Financial Report for the year ended 30 June 2018

COMPREHENSIVE INCOME STATEMENT**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	2018 \$'000	2017 \$'000
Income			
Rates and charges	2.1	106,155	99,268
Statutory fees and fines	2.2	6,345	4,351
User fees	2.3	10,738	8,607
Grants - operating	2.4	28,548	31,915
Grants - capital	2.4	14,219	8,968
Contributions - cash	2.5	15,010	13,555
Contributions - non monetary assets	2.5	112,634	80,743
Other income	2.6	8,014	5,420
Net gain/(loss) on disposal of property, plant and equipment	2.7	23,471	13,858
Fair value adjustments for investment property	5.3	286	174
Total income		325,420	266,859
Expenses			
Employee costs	3.1	48,815	45,321
Materials and services	3.2	68,969	60,217
Utilities		6,005	5,012
Depreciation and amortisation	3.3	31,384	28,168
Borrowing costs	3.4	939	1,297
Bad and doubtful debts	3.5	761	496
Asset Impairments	5.4	-	691
Total expenses		156,873	141,202
Surplus/(deficit) for the year		168,547	125,657
Other comprehensive income			
Net asset revaluation increment(decrement)	8.1	-	59,408
Financial assets available for sale reserve			
- Gain/(loss) taken to equity		-	-
Total comprehensive result		168,547	185,065

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

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BALANCE SHEET

AS AT 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Assets			
Current assets			
Cash and cash equivalents	4.1	132,904	100,295
Trade and other receivables	4.1	33,829	29,505
Other financial assets	4.1	10,000	-
Inventories	4.2	14	12
Land classified as held for sale	5.1	1,281	223
Other assets	4.2	47,767	17,773
Total current assets		225,795	147,808
Non-current assets			
Inventories	4.2	178	37
Property, infrastructure plant and equipment	5.2	1,970,046	1,871,675
Investment property	5.3	7,077	6,791
Financial assets	5.4	368	370
Intangible assets	4.2	3,684	4,012
Total non-current assets		1,981,353	1,882,885
Total assets		2,207,148	2,030,693
Liabilities			
Current liabilities			
Trade and other payables	4.3	20,557	9,435
Provisions	4.5	10,026	10,372
Interest bearing liabilities	4.4	2,826	3,380
Trust funds and deposits	4.3	2,208	2,081
Total current liabilities		35,617	25,268
Non-current liabilities			
Provisions	4.5	1,758	1,713
Interest bearing liabilities	4.4	15,947	18,773
Trust funds and deposits	4.3	4,252	3,911
Total non-current liabilities		21,957	24,397
Total liabilities		57,574	49,665
Net Assets		2,149,574	1,981,028
Equity			
Accumulated surplus		1,261,265	1,104,847
Reserves	8.1	888,309	876,181
Total Equity		2,149,574	1,981,028

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

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STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 30 JUNE 2018**

	Note	Total \$'000	Accumulated Surplus \$'000	Asset	
				Revaluation Reserve \$'000	Other Reserves \$'000
2018					
Balance at beginning of the financial year		1,981,028	1,104,847	805,008	71,173
Surplus/(deficit) for the year		168,547	168,547	-	-
Net asset revaluation increment/(decrement)	8.1	-	-	-	-
Financial Assets Gain/(loss) taken to equity	8.1	-	-	-	-
Transfers to other reserves	8.1	-	(39,068)	-	39,068
Transfers from other reserves	8.1	-	26,940	-	(26,940)
Balance at end of the financial year		2,149,575	1,261,265	805,008	83,301

	Note	Total \$'000	Accumulated Surplus \$'000	Asset	
				Revaluation Reserve \$'000	Other Reserves \$'000
2017					
Balance at beginning of the financial year		1,802,776	1,004,766	752,124	45,886
Surplus/(deficit) for the year		125,657	125,657	-	-
Restated Net asset revaluation increment/(decrement)	8.1	59,408	-	59,408	-
Asset revaluation reserve - prior period adjustment	5.2	(6,524)	-	(6,524)	-
Financial Assets Gain/(loss) taken to equity	8.1	(289)	-	-	(289)
Transfers to other reserves	8.1	-	(51,179)	-	51,179
Transfers from other reserves	8.1	-	25,603	-	(25,603)
Balance at end of the financial year		1,981,028	1,104,847	805,008	71,173

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

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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		Inflows/(Outflows)	Inflows/(Outflows)
	Note	\$'000	\$'000
Cash flows from operating activities			
Rates and charges		106,228	99,340
Statutory fees and fines		5,913	4,115
User fees		7,096	3,140
Grants received		41,609	41,613
Contributions and reimbursements		15,010	13,554
Interest received		2,707	2,224
Receipt of trust monies		508	24
Other receipts		5,639	3,437
Net GST refund/(payment)		9,753	8,396
Payments to suppliers		(71,177)	(75,798)
Payments to employees		(49,116)	(43,463)
Borrowing costs		(939)	(1,297)
Net cash provided by (used in) operating activities	8.2	73,230	55,285
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment		(36,362)	(31,639)
Payments for other financial assets		(10,000)	-
Proceeds from sale of property, infrastructure, plant and equipment		9,121	6,010
Net cash provided by (used in) investing activities		(37,241)	(25,629)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(3,380)	(6,915)
Net cash provided by (used in) financing activities		(3,380)	(6,915)
Net increase (decrease) in cash and cash equivalents		32,609	22,740
Cash and cash equivalents at the beginning of the financial year		100,295	77,555
Cash and cash equivalents at the end of the financial year	4.1	132,904	100,295
Financing arrangements	4.6		
Restrictions on cash assets	4.1		

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

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STATEMENT OF CAPITAL WORKS

FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$'000	2017 \$'000
Property			
Land		1,321	840
Land under roads		-	22
Total land		1,321	862
Buildings		5,061	2,818
Building improvements		-	-
Total buildings		5,061	2,818
Total property		6,382	3,680
Plant and equipment			
Plant, machinery and equipment		927	1,044
Fixtures, fittings and furniture		215	113
Computers and telecommunications		302	398
Library books		411	369
Total plant and equipment		1,855	1,924
Infrastructure			
Roads		12,011	16,924
Bridges		4,579	497
Footpaths and cycleways		768	1,954
Drainage		441	170
Recreational, leisure and community facilities		10,563	4,670
Car parks		-	-
Other infrastructure		3,065	705
Total infrastructure		31,427	24,920
Total capital works expenditure		39,664	30,524
Represented by:			
Asset renewal expenditure		12,307	11,930
New asset expenditure		19,608	10,667
Asset Upgrade expenditure		3,273	4,153
Asset expansion expenditure		4,476	3,774
Total capital works expenditure		39,664	30,524

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

The Melton City Council (formerly the Melton Shire Council until 4 September 2012) was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.
The Council's main office is located at 232 High Street, Melton.

Statement of compliance

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

Significant accounting policies**(a) Basis of Accounting**

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 5.2)
- the determination of employee provisions (refer to Note 4.5)
- other areas requiring judgements

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

Note 1 Performance against budget

The budget comparison notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$250,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

The budget figures detailed below are those adopted by Council on 26 June 2017. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for revenue and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

1.1 Income and Expenditure

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Income				
Rates and charges	104,277	106,155	1,878	1
Statutory fees and fines	3,295	6,345	3,050	2
User fees	9,984	10,738	754	3
Contributions - cash	8,357	15,010	6,653	4
Contributions - non-monetary assets	72,953	112,634	39,681	5
Grants - Operating (recurrent)	24,368	27,590	3,222	6
Grants - Operating (non-recurrent)	281	958	677	7
Grants - Capital (recurrent)	-	1,953	1,953	8
Grants - Capital (non-recurrent)	5,465	12,266	6,801	8
Net gain on disposal of assets	5,600	23,471	17,871	9
Other income	4,564	8,014	3,450	10
Fair value adj. for Investment. Property	-	286	286	11
Total Income	239,144	325,420	86,276	
Expenses				
Employee costs	53,406	48,815	(4,591)	12
Materials and services	58,424	68,969	10,545	13
Bad and doubtful debts	400	761	361	
Depreciation and amortisation	29,417	31,384	1,967	14
Finance costs	961	939	(22)	
Utilities & telephone exps	5,602	6,005	403	
Total Expenses	148,210	156,873	8,663	
Surplus/(Deficit)	90,934	168,547	77,614	

Note 1 Budget comparison (Continued)

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	The increase is mainly attributable to higher than budgeted supplementary rates for the year of \$1.93m due to higher number of properties being released as a result of elevated level of growth than predicted in the budget. The overall variance is partly offset by higher than budgeted pensioner rebate and environmental rebate allowed.
2	Statutory fees and fines	Significant favourable variances include higher than budgeted income on compliance fines and penalties of \$1.2m, mainly in parking fines, animal registration and regulatory services due to more proactive patrols and also higher than budgeted election fines. Higher than budgeted income of \$1.21m in subdivision and planning permit fees due to higher level of growth than planned. Other favourable variances include higher than budgeted property and planning information fees. Overall favourable variance partly offset by lower than budgeted income in certification fees.
3	User fees	Variance is mainly attributed to higher than budgeted income of \$501k received from subdivision construction fees and non standard lighting of \$222k due to significant increase in development activity. Transfer Station gate takings were higher than budget by \$321k due to increased level of patronage. Overall favourable variance was partly offset by lower than budgeted income in family day care, occasional care fees and other fees.
4	Contributions - cash	Actual contributions are higher due to a number of unbudgeted estate developments being brought forward during the year as well as a higher than budgeted indexation rate.
5	Contributions - non-monetary assets	Variance is due to significant increases in development activity during the year that was far greater than anticipated in the budget.
6	Grants - Operating (recurrent)	Favourable variance is partly due to timing variations in the receipt of grants commission financial assistance grants, which was favourable to budget by \$1.64m. This is due to timing of grant payments. In addition state and federal grants income and maternal child health income received were higher than budget by \$1.52m contributing to the overall favourable variance.
7	Grants - Operating (non-recurrent)	Operating non-recurrent variance is due to unbudgeted grants received in the following: Right @ Home (\$200k) Crime Prevention (\$100k) Indigenous Programs (\$104k) Arts Grants & Other (\$191k)

Note 1 Budget comparison (Continued)

(i) Explanation of material variations (Continued)

Variance Ref	Item	Explanation
8	Grants - Capital	Favourable variance in capital recurrent and non-recurrent, is attributed to \$8.75 million of unbudgeted Growing Suburbs Fund and other grants received during the year. Significant items include: Macpherson Park Redevelopment (\$2.0m) Aintree Community Hub (\$1.0m) Melton Central Community Centre -Whitehouse (\$2.0m) Hannah Watts Park Upgrade (\$600k) Allenby Road Reserve Upgrade (\$300k) Bill Cahill Reserve Upgrade (\$300k) Arnolds Creek Play space (\$300k) Fraser Rise - Multi-purpose Community Centre (\$1.0m) Others (\$1.25m)
9	Net gain on disposal of assets	The variance is largely attributed to exponential increase in land sales compared to budget. Atherstone land sales for the year at \$39.7 million was almost 322% higher than budget. The cost of sales was also proportionately higher due to higher number of lots sold than budgeted.
10	Other income	Interest on investments exceeded budget by \$1.53m due to larger than anticipated cash holdings as a result of under expenditure in capital budget and significant unbudgeted grants received during the year. In addition unbudgeted income received during the year amounting to \$1.38m. Significant receipts include Hume Drive Duplication, City Visa Sports oval, Abey Road Toolern Creek to Ferris Road Duplication. Other variances include higher than budgeted income for recyclable processing and unclaimed retention income of \$327k and other minor variances.
11	Fair value adj. for Investment. Property	Fair value adjustments for investment property was not taken into account in the preparation of the budget.
12	Employee costs	Overall variance is attributable to number of factors. Employee salaries were favourable to budget by \$2.48m due to budgeted positions not being filled or filled later than planned during the year. The other major variance is due to contract labour/agency staff classified as employee costs in budget of \$1.34m, but is classified under materials and services in actuals. Oncost expenditure, particularly long service leave, workcover premium and superannuation expenses were favourable to budget by \$958k. Favourable variance was partly offset by various minor unfavourable variances.

Budget comparison (Continued)**(i) Explanation of material variations (Continued)**

Variance Ref	Item	Explanation
13	Materials and services	The overall variance is attributable to number of factors. Major unfavourable variances include capital items expensed as maintenance due to items not meeting capitalisation requirements based on capitalisation policy and threshold level amounting to \$3.26m. Labour agency cost accounted for \$6.21m of variance. This was due to expenditure category being classified under employee cost in the budget and investment in information services business transformation project. Other variances include higher than budgeted contract payments compared to budget of \$1.18m particularly in Waste Disposal, Green Processing, Transfer Station, New Metro Regional Emergency and other contracts. Overall unfavourable variance was partly offset by various minor favourable variances.
14	Depreciation and amortisation	Variance is attributable to substantial increase in assets base as a result significant volume of developer contributed assets received.

Note 1 Budget comparison (Continued)

1.2 Capital Works

	Budget 2018 \$'000	Actual 2018 \$'000	Variance 2018 \$'000	Ref
Property				
Land	1,030	1,321	291	1
Land Under Roads	-	-	-	
Total land	<u>1,030</u>	<u>1,321</u>	<u>291</u>	
Buildings	5,458	5,061	(397)	2
Total buildings	<u>5,458</u>	<u>5,061</u>	<u>(397)</u>	
Total property	<u>6,488</u>	<u>6,382</u>	<u>(106)</u>	
Plant and equipment				
Plant, machinery and equipment	1,250	927	(323)	
Fixtures, fittings and furniture	181	215	34	
Computers and telecommunications	320	302	(18)	
Library books	375	411	36	
Total plant and equipment	<u>2,126</u>	<u>1,855</u>	<u>(271)</u>	
Infrastructure				
Roads	15,701	12,011	(3,690)	3
Bridges	4,570	4,579	9	
Footpaths and cycleways	1,305	768	(537)	4
Drainage	560	441	(119)	5
Recreational, leisure and community facilities	19,021	10,563	(8,458)	6
Car parks	-	-	-	
Other infrastructure	2,403	3,065	662	7
Total infrastructure	<u>43,560</u>	<u>31,427</u>	<u>(12,133)</u>	
Total capital works expenditure	<u>52,174</u>	<u>39,664</u>	<u>(12,510)</u>	
Represented by:				
Asset renewal expenditure	16,314	12,307	(4,007)	
New asset expenditure	25,557	19,608	(5,949)	
Asset Upgrade expenditure	3,493	3,273	(220)	
Asset expansion expenditure	6,809	4,476	(2,333)	
Total capital works expenditure	<u>52,173</u>	<u>39,664</u>	<u>(12,509)</u>	

Note 1 Budget comparison (Continued)**(i) Explanation of material variations**

Variance Ref	Item	Explanation
1	Land	Unbudgeted funds required to compensate developer in Bloomsdale Development for open space that has been transferred to Council ownership. This expenditure is offset by developer contributions income.
2	Buildings	Favourable timing variance for the following projects; Female Change Room Program, Melton Waves Project and Scouts Activity Centre.
3	Roads	Favourable timing variance for the following projects; Melton Streetscape, Hume Drive Duplication and Annual Resealing Program. Blackspot program was completed under budget.
4	Footpaths and cycleways	A number of footpath projects have been delayed by a backlog of Cultural Heritage Management Plan approvals being processed by Aboriginal Victoria due to large amount of infrastructure projects being undertaken in Victoria.
5	Drainage	Under expenditure was due to various projects being completed under budget.
6	Recreational, leisure and community facilities	Recreational under expenditure mainly attributable to the Taylors Hill West (City Vista) and Sport Precinct Project (\$7.6m) that has been delayed due to protracted negotiations with the tenant George Cross Soccer Club.
7	Other infrastructure	Majority of over expenditure related to the Waterford Park and Wetlands Project that was funded by security withheld from a developer that went into liquidation.

Note 2 Funding for the delivery of our services**Note 2.1 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 the land and improvements. The valuation base used to calculate general rates for 2018 was \$24,177,999,300 (2017 \$23,188,766,000).

The rate in the CIV dollar was:

	2018	2017
General Developed Land	0.3328500	0.3248700
Commercial Developed	0.5325600	0.5197900
Industrial Developed	0.5325600	0.5197900
Rural Living	0.2995700	0.2923800
Retirement Village	0.2829200	0.2761400
Vacant Land	0.4992800	0.4873100
Commercial Vacant Land	0.6657000	0.6497400
Industrial Vacant	0.6657000	0.6497400
Rural	0.2396500	0.2339100
Extractive Land	0.9586100	0.9356300
Urban Growth Land	0.2496400	0.2436500

	2018	2017
	\$'000	\$'000
General	65,407	62,602
Commercial	6,539	6,231
Industrial	5,813	5,450
Rural	4,407	4,216
Municipal charge	7,655	6,939
Garbage charge	12,204	11,574
Supplementary rates and rate adjustments	4,130	2,256
Total rates and charges	106,155	99,268

The date of the latest general revaluation of land for rating purposes within the municipal district was

1 January 2016, and the valuation was first applied in the rating year commencing 1 July 2016.

The date of the previous general revaluation of land for rating purposes within the municipal district was 1 January 2014, and the valuation first applied in the rating period commencing 1 July 2014.

Annual rates and charges are recognised as revenues when Council issues annual rate notices.

Supplementary rates are recognised when a valuation and reassessment is completed and a supplementary rates notice is issued.

	2018	2017
	\$'000	\$'000
Note 2.2 Statutory fees and fines		
Infringements and costs	2,631	1,509
Court recoveries	566	550
Town planning fees	193	167
Land information certificates	159	147
Permits	2,291	1,554
Property Information Requests	505	424
Total statutory fees and fines	6,345	4,351

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 occurs first.

Note 2.3 User fees

	2018	2017
	\$'000	\$'000
Leisure centre and recreation	1,733	1,524
Child care/children's program	686	736
Aged and health services	477	458
Registration and other permits	1,218	1,164
Building services	451	366
Youth program fees	113	99
Subdivision fees	2,185	1,044
Waste management services	2,270	2,089
Other fees and charges	1,605	1,127
Total user fees	10,738	8,607

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

Note 2.4 Funding from other levels of government

Grants were received in respect of the following:

	2018	2017
	\$'000	\$'000
Summary of grants		
Commonwealth funded grants	25,310	29,166
State funded grants	17,045	11,186
Others	412	531
Total	42,767	40,883

(a) Operating Grants*Recurrent - Commonwealth Government*

Finance Assistance Grants (VGC)	15,642	20,269
Family and children	1,083	1,197
Other	3,514	3,218

Recurrent - State Government

Aged and disability services	1,958	2,009
Childrens services	2,581	2,315
Community support and development	1,083	976
Environment	-	26
Community health	115	137
Roads	-	9
Libraries	888	849
Planning and Development	45	45
Youth Services	45	45
Other	335	249
<i>Other</i>		
Community	301	155
Total recurrent operating grants	27,590	31,499

Non-Recurrent - State Government

Aged and disability services	-	20
Childrens services	216	2
Community support and development	120	190
Community safety	76	83
Roads	-	1
Environment	135	28
Family, youth and housing	132	-
Planning and Development	-	15
Other	168	68

Note 2.4 Grants (Continued)

	2018 \$'000	2017 \$'000
<i>Non-Recurrent - Other</i>		
Community health	111	9
Total non-recurrent - operating grants	958	416
Total operating grants	28,548	31,915
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to Recovery	1,953	2,014
Other	-	-
Total recurrent capital grants	1,953	2,014
<i>Non-recurrent - Commonwealth Government</i>		
Roads	-	804
Streetscape	3,119	1,664
<i>Non-recurrent - State Government</i>		
Buildings	5,150	999
Recreation	3,762	3,685
Roads	-	(645)
Other	235	80
<i>Non-recurrent - Other</i>		
Recreation	-	367
Total non-recurrent capital grants	12,266	6,954
Total capital grants	14,219	8,968
(c) Unspent grants received on condition that they will be spent in a specific manner		
Balance at start of year	4,884	4,172
Received during the financial year and remained unspent at balance date	6,738	4,888
Received in prior years and spent during the financial year	2,225	4,176
Balance at year end	9,397	4,884

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.

Note 2.5 Contributions

	2018	2017
	\$'000	\$'000
Monetary	15,010	13,555
Non-Monetary	112,634	80,743
Total contributions	127,644	94,298

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

Land	7,731	1,137
Land under roads	7,279	4,393
Roads	37,363	36,934
Footpaths	9,840	9,306
Drainage	23,184	15,024
Recreation	10,508	2,125
Kerb and Channel	4,689	3,739
Traffic Management	3,352	8,085
Bridges	752	-
Other	7,936	-
Total non-monetary contributions	112,634	80,743

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

Note 2.6 Other income

	2018	2017
	\$'000	\$'000
Festival sponsorship	39	35
Program Revenue	890	772
Rebates	1,298	1,147
Investment property rental	318	256
Interest	2,888	2,296
Other	2,581	914
Total other income	8,014	5,420

Interest income is recognised as it is earned.

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

Note 2.7 Net gain/(loss) on disposal of property, infrastructure, plant and equipment

	2018	2017
	\$'000	\$'000
Proceeds of sale	39,918	29,317
Written down value of assets disposed	(16,447)	(15,459)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	23,471	13,858

Any gain or loss on the disposal of property, infrastructure, plant and equipment, including non-current assets classified as held for sale, is recognised at the date of disposal. The date of the disposal is the date that an unconditional contract is entered into.

Note 3 The cost of delivering the services**Note 3.1 (a) Employee costs**

	2018	2017
	\$'000	\$'000
Wages and salaries	41,769	38,639
Workcover	985	921
Superannuation	3,972	3,538
Casual staff	1,168	1,408
Fringe benefits tax	152	106
Other	769	709
	<u>48,815</u>	<u>45,321</u>

Note 3.1 (b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>151</u>	<u>187</u>
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Employer contributions payable at reporting date

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	<u>3,821</u>	<u>3,351</u>
Total Superannuation	<u>3,971</u>	<u>3,538</u>

Employer contributions payable at reporting date

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

Note 3.2 Materials and services

	2018	2017
	\$'000	\$'000
Contract payments	34,918	31,046
Maintenance	8,167	6,071
Garbage collection and disposal	117	670
Consultants	582	533
Contract labour	6,787	5,135
Administrative support	7,387	6,856
Program expenses	3,081	3,349
Professional fees	2,808	2,260
Insurances	1,183	1,026
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquitals	60	70
Auditors' remuneration - Internal	126	106
Contributions and donations	837	567
Councillors allowances	368	344
Transport and vehicle operations	487	535
Other	2,061	1,649
Total materials and services	<u>68,969</u>	<u>60,217</u>

Note 3.3 Depreciation and amortisation

Property	4,921	3,262
Plant and equipment	797	1,290
Infrastructure	25,338	23,289
Intangible assets	328	328
Total depreciation and amortisation	<u>31,384</u>	<u>28,169</u>

Refer to note 4.2 (c) and 5.2 for a more detailed breakdown of depreciation and amortisation charges

Note 3.4 Borrowing costs

	2018	2017
	\$'000	\$'000
Interest - borrowings	939	1,297
Total borrowing costs	939	1,297

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.

Note 3.5 Bad and doubtful debts

Infringements	736	468
Other	25	28
Total bad and doubtful debts	761	496

Movement in provisions for doubtful debts - other debtors

Balance at the beginning of the year	1,284	1,095
New Provisions recognised during the year	520	377
Amounts already provided for and written off as uncollectible	(258)	(158)
Amounts provided for but recovered during the year	(80)	(30)
Balance at end of year	1,466	1,284

Provision for doubtful debt is recognised when there is objective evidence that an impairment loss has occurred. Bad debts are written off when identified.

Note 4 Our financial position**Note 4.1 Financial Assets**

	2018	2017
	\$'000	\$'000
(a) Cash and cash equivalents		
Cash on hand	7	6
Cash at Bank	29,946	6,187
Short Term Investments	102,951	94,102
	132,904	100,295
(b) Other financial assets		
Term deposits - current	10,000	-
Total other financial assets	10,000	-
Total financial assets	142,904	100,295

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

- Reserves (Note 8.1)	74,081	60,059
- Trust funds and deposits (Note 4.3)	6,460	5,992
- Fire Services Levy (Note 4.3)	3,298	464
Total unrestricted cash and cash equivalents	49,065	33,780

Intended allocations

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

- Cash held to fund carried forward capital works	14,136	16,436
Total funds subject to intended allocations	14,136	16,436

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 revenue or expense.

Note 4.1 Financial Assets (continued)

		2018	2017
	Note	\$'000	\$'000
(c) Trade and Other Receivables			
<i>Current</i>			
<i>Statutory receivables</i>			
Rates debtors		6,009	6,082
Parking infringement debtors		1,493	1,061
Provision for doubtful debts - parking infringements		(940)	(619)
<i>Other debtors</i>			
Other debtors		28,261	23,975
Provision for doubtful debts - other debtors	3.5	(1,466)	(1,284)
<i>Non statutory receivables</i>			
Accrued interest		472	290
		<u>33,829</u>	<u>29,505</u>
Total trade and other receivables		<u>33,829</u>	<u>29,505</u>

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

Note 4.1 Financial Assets (continued)

		2018	2017
		\$'000	\$'000
a) Ageing of 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:			
Current (not yet due)		15,153	9,344
Past due by up to 30 days		3,995	884
Past due between 31 and 180 days		2,108	12,280
Past due between 181 and 365 days		5,551	344
Past due by more than 1 year		1,925	1,413
Total trade & other receivables		<u>28,733</u>	<u>24,265</u>

b) Ageing of individually impaired Receivables

At balance date, other debtors representing financial assets with a nominal value of \$1,465,293 (2017: \$1,284,381) were impaired. The amount of the provision raised against these debtors was \$1,465,293 (2017: \$1,284,381). They individually have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

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

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		1,466	1,284
Total trade & other receivables		<u>1,466</u>	<u>1,284</u>

Note 4.2 Non-financial assets

	2018	2017
	\$'000	\$'000
(a) Inventories		
<i>Current</i>		
Land for Interment Purposes	14	12
<i>Non-current</i>		
Land for Interment Purposes	178	37
Total Inventories	<u>192</u>	<u>49</u>

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

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

<i>Current</i>		
Accrued Income	47,767	17,773
Total Other assets	<u>47,767</u>	<u>17,773</u>

Accrued income relates to income earned but not yet received. Accrued income is largely attributed to Atherstone land sales (Note 2.7)

(c) Intangible assets

	2018	2017
	\$'000	\$'000
Non-Exclusive Licences - Caroline Springs College		
Creekside Campus	437	545
- Springside Childrens and Community Centre	1,232	1,297
- Kororoit Creek Early Learning Centre	2,015	2,170
	<u>3,684</u>	<u>4,012</u>

The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility.

Amortisation of the licence is expensed over the term of the licence until 30 June 2026.

The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Kororoit Creek facilities.

Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Kororoit Creek).

Note 4.2 Non-financial assets (continued)

	Non-Exclusive Licences 2018 \$'000	Total 2018 \$'000
Gross carrying amount		
Balance at 1 July 2016	6,540	6,540
Additions	-	-
Balance at 1 July 2017	<u>6,540</u>	<u>6,540</u>
Additions	-	-
Balance at 30 June 2018	<u>6,540</u>	<u>6,540</u>
Accumulated amortisation and impairment		
Balance at 1 July 2016	(2,204)	(2,204)
Amortisation expense	(328)	(328)
Balance at 1 July 2017	<u>(2,532)</u>	<u>(2,532)</u>
Amortisation expense	(328)	(328)
Balance at 30 June 2018	<u>(2,860)</u>	<u>(2,860)</u>
Net book value at 30 June 2017	<u>4,012</u>	<u>4,012</u>
Net book value at 30 June 2018	<u>3,684</u>	<u>3,684</u>

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.

Note 4.3 Payables

(a) Trade and other payables

Trade payables	13,789	7,371
Accrued Expense	3,470	1,600
Fire service levy	3,298	464
Total trade and other payables	<u>20,557</u>	<u>9,435</u>

(b) Trust funds and deposits

Current

Refundable deposits	2,094	1,926
Construction retention monies	114	155
	<u>2,208</u>	<u>2,081</u>

Non-current

Refundable deposits	4,252	3,911
Other	-	-
	<u>4,252</u>	<u>3,911</u>
Total trust funds and deposits	<u>6,460</u>	<u>5,992</u>

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

Note 4.3 Payables (Continued)*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 monthly 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.

Note 4.4 Interest-bearing liabilities

	2018	2017
	\$'000	\$'000
<i>Current</i>		
Loans- secured	2,826	3,380
	<u>2,826</u>	<u>3,380</u>
<i>Non-current</i>		
Loans- secured	15,947	18,773
	<u>15,947</u>	<u>18,773</u>
Total interest-bearing liabilities	<u>18,773</u>	<u>22,153</u>
The maturity profile for Council's borrowings is:		
Not later than one year	2,826	3,380
Later than one year and not later than five years	10,177	10,501
Later than five years	5,770	8,272
	<u>18,773</u>	<u>22,153</u>

Borrowings are secured by way of mortgages over the general rates of the 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.

Note 4.5 Provisions

	Annual leave	Long service leave
	\$'000	\$'000
2018		
Balance at beginning of the financial year	3,599	7,620
Additional provisions	3,293	904
Amount used	<u>(3,020)</u>	<u>(612)</u>
Balance at the end of the financial year	<u>3,872</u>	<u>7,912</u>
2017		
Balance at beginning of the financial year	3,177	7,050
Additional provisions	3,163	1,052
Amount used	<u>(2,741)</u>	<u>(482)</u>
Balance at the end of the financial year	<u>3,599</u>	<u>7,620</u>

Note 4.5 Provisions (continued)

The following assumptions were adopted in measuring the present value of long service leave and retiring gratuity:

Weighted average increase in employee costs	3.88%	3.81%
Weighted average discount rates	2.65%	2.61%
Weighted average settlement period	144mths	144mths

	2018	2017
	\$'000	\$'000
Current provisions expected to be settled within 12 months		
Annual leave	2,789	2,619
Long service leave	635	529
GST Provision *	-	866
	<u>3,424</u>	<u>4,014</u>

Current provisions expected to be settled after 12 months		
Annual leave	1,083	980
Long service leave	<u>5,519</u>	<u>5,378</u>
	<u>6,602</u>	<u>6,358</u>
Total current provisions	<u>10,026</u>	<u>10,372</u>

Non-current		
Long service leave	1,758	1,713

* Following a review by Council in relation to its treatment of unimproved land GST concessions, the additional GST obligation was settled in 2017.

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

Wages and salaries and annual leave

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

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

Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Current liability - unconditional LSL representing 7 years is disclosed as a current liability even when the council does not expect to settle the liability within 12 months because it will not have the unconditional right to defer settlement of the entitlement should an employee take leave within 12 months.

The components of this current liability are measured at :

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

Classification of employee costs

Non-current liability - conditional LSL representing less than 7 years is disclosed as a non-current liability.

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

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

Note 4.6 Financing arrangements

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

Bank overdraft	1,800	1,800
Used facilities	-	-
Total unused facilities	1,800	1,800

Bank overdraft facilities could be drawn at any time as per the existing banking agreement.

Note 4.7 Commitments

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

2018	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000	\$'000	
Operating					
Garbage and recycling collection	6,027	-	-	-	6,027
Corporate Services	750	125	-	-	875
Parks maintenance services	5,850	12,034	6,193	-	24,077
Road maintenance	6,112	10,056	5,142	-	21,310
Recycling facility operations	4,250	-	-	-	4,250
Leisure Services	94	263	-	-	357
IT Services	400	339	-	-	739
Total	23,483	22,817	11,335	-	57,635
Capital					
Roads	10,001	-	-	-	10,001
Buildings	1,933	308	18	-	2,259
Recreational	17,067	8	4	-	17,079
Total	29,001	316	22	-	29,339

2017	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
		\$'000	\$'000	\$'000	
Operating					
Garbage and recycling collection	6,653	5,160	-	-	11,813
Health services and cleaning services	75	-	-	-	75
Corporate Services	655	103	-	-	758
Parks maintenance services	6,300	11,717	12,947	-	30,964
Road maintenance	5,912	9,902	10,208	-	26,022
Recycling facility operations	4,100	-	-	-	4,100
Leisure Services	69	212	144	-	426
Recreational	576	127	-	-	703
IT Services	1,417	399	-	-	1,816
Total	25,757	27,620	23,299	-	76,677
Capital					
Roads	3,125	-	-	-	3,125
Computers and telecomms	15	15	-	-	30
Buildings	269	-	-	-	269
Leisure Services	280	-	-	-	280
Recreational	486	-	-	-	486
Total	4,175	15	-	-	4,190

Note 4.7 Commitments (Continued)**Operating leases**

	2018	2017
	\$'000	\$'000

(a) Operating lease commitments

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

Not later than one year	81	350
Later than one year and not later than five years	-	81
Later than five years	-	-
	81	431

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

Note 5 Assets we manage**Note 5.1 Non current assets classified as held for sale**

Opening balance	223	1,108
Transfers to land	(77)	(33)
Additions	11,890	8,300
Sales (WDV)	(10,755)	(9,152)
Total	1,281	223

Assets held for sale are carried at fair value less cost of disposal. The following table provides Council's fair value measurement hierarchy for assets held for sale:

	Carrying value at 30 June \$000	Fair Value measurement at the end of the period using(1):		
		Level 1 \$000	Level 2 \$000	Level 3 \$000
Land	1,281	-	1,281	-

(1) – Classified in accordance with fair value hierarchy – see note 5.2

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

Non current assets classified as held for sale relate to land for Atherstone, a masterplanned community in Melton South which is being developed through a partnership between Melton City Council and Lend Lease.

Note 5.2 Property, infrastructure plant and equipment

	Revised At WDV Value 30 June 2017	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At WDV Value 30 June 2018
Summary of property, infrastructure plant and equipment								
Land	384,865	489	15,010	-	-	-	(12,045)	388,319
Buildings	130,604	2,043	-	(4,921)	(655)	(743)		126,328
Plant and Equipment	3,700	1,550	-	(797)	(637)	-		3,816
Infrastructure	1,331,400	718	91,384	(25,338)	(450)	17,906		1,415,620
Work in progress	21,106	26,580	6,241	-	-	-	(17,964)	35,963
	1,871,675	31,380	112,634	-	(31,056)	(1,742)	(12,846)	1,970,046

Summary of Work in Progress

	Opening WIP	Additions	Contributions	Transfers	Write-Offs	Closing WIP
Buildings	158	4,132	-	(50)	-	4,240
Plant and Equipment	-	-	-	-	-	-
Infrastructure	20,948	22,448	6,241	(14,564)	(3,350)	31,723
Total	21,106	26,580	6,241	(14,614)	(3,350)	35,963

Note 5.2 Property, infrastructure plant and equipment (Continued)

Asset recognition thresholds and depreciation periods	Depreciation Period	Threshold Limit \$'000
Roads	10-100 years	10
Footpaths	10-70 years	10
Kerb and Channel	10-70 years	10
Car Parks	10-70 years	10
Traffic Management	10-70 years	10
Bridges	25-100 years	25
Drainage Works	80-100 years	25
Recreation Facilities	3-30 years	1
Other	20-100 years	Nil
Plant and machinery	5 years	5
Buildings	50 years	Nil
Furniture and equipment	3-5 years	5
Land	N/A	Nil
Land under roads	N/A	Nil
Library assets	10 years	Nil

Note 5.2 Property, infrastructure plant and equipment (Continued)

	Roads	Bridges	Footpaths	Drainage	Recreation	Kerb and Channel	Traffic Management	Car Parks	Other Infrastructure	Work In Progress	Total Infrastructure
Infrastructure											
Revised At fair value 1 July 2017	788,264	16,377	137,388	361,410	56,918	102,463	75,713	20,345	2,767	20,948	1,582,594
Revised Accumulated depreciation at 1 July 2017	(116,064)	(5,797)	(6,635)	(56,249)	(23,412)	(2,903)	(13,793)	(4,017)	(1,376)	-	(230,246)
	672,200	10,580	130,753	305,162	33,506	99,561	61,919	16,329	1,391	20,948	1,352,348
Movements in fair value											
Contribution of assets at fair value	37,364	752	9,840	23,184	10,508	4,689	3,352	1,695	-	6,241	97,625
Revaluation increments/decrements	195	78	282	-	163	-	-	-	-	22,448	23,166
Fair value of assets disposed	(647)	-	(154)	(27)	(566)	(4)	(51)	-	-	-	(1,449)
Previously unrecognised assets	-	-	-	-	-	-	-	-	-	-	-
Transfers	3,115	2,858	2,717	1,335	4,386	538	1,237	1,728	-	(17,914)	(0)
Assets available for sale	-	-	-	-	-	-	-	-	-	-	-
	40,027	3,688	12,685	24,492	14,491	5,223	4,538	3,423	-	10,775	119,342
Movements in accumulated depreciation											
Depreciation and amortisation	(10,204)	(299)	(2,889)	(3,960)	(2,765)	(1,760)	(2,993)	(374)	(93)	-	(25,338)
Accumulated depreciation of disposals	417	-	24	15	537	-	6	-	-	-	999
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-	-	-
Previously unrecognised assets	-	-	-	-	-	-	-	-	-	-	-
Transfers	(9,787)	(299)	(2,865)	(3,953)	(2,228)	(1,760)	(2,987)	(374)	(93)	-	(8)
	828,291	20,065	150,073	385,902	71,409	107,687	80,251	23,768	2,767	31,723	1,701,935
At fair value 30 June 2018	(125,851)	(6,096)	(9,500)	(60,202)	(25,640)	(4,663)	(16,780)	(4,391)	(1,470)	-	(254,592)
Accumulated depreciation at 30 June 2018	702,439	13,969	140,573	325,700	45,769	103,024	63,470	19,378	1,297	31,723	1,447,343

*** Prior Period Adjustments**

Council has made a retrospective restatement as at 30 June 2017 due to an error on revaluation of assets that have not been previously recognised. A net adjustment of \$6.5m has been made to the Balance Sheet and impacted the Property, Plant & Equipment opening balances as per below:

	Original fair value 1 July 2017	Restated fair value 1 July 2017	Original accum deprec at 1 July 2017	Revised Accum deprec at 1 July 2017
Bridges	16,377	16,377	(5,797)	(5,797)
Car Parks	25,046	20,346	(6,058)	(4,017)
Drainage	361,410	361,410	(56,249)	(56,249)
Footpaths	137,388	137,388	(6,635)	(6,635)
Kerb and Channel	102,463	102,463	(2,903)	(2,903)
Recreation	56,918	788,264	(23,412)	(23,412)
Roads	788,264	788,264	(116,064)	(116,064)
Traffic Management	77,436	75,712	(11,652)	(13,793)
Other	2,767	2,767	(1,376)	(1,376)
WIP	20,948	20,948	-	-
	1,589,018	1,582,594	(230,146)	(230,246)
Asset Revaluation Surplus	811,532	805,008	(6,524)	-

Note 5.2 Property, infrastructure plant and equipment (Continued)

	Land - specialised	Land - non specialised	Land Under Roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work in Progress	Total Property
Land and Buildings									
At fair value 1 July 2017	258,216	91,940	34,709	384,865	154,954	13,102	168,056	158	553,079
Accumulated depreciation at 1 July 2017	-	-	-	-	(37,074)	(378)	(37,452)	-	(37,452)
	258,216	91,940	34,709	384,865	117,880	12,724	130,604	158	515,627
Movements in fair value									
Contribution of assets at fair value	7,731	-	7,279	15,010	-	-	-	-	15,010
Acquisition of assets at fair value	489	-	-	489	1,921	122	2,043	4,132	6,664
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-
Fair value of assets disposed	-	-	-	-	(795)	(55)	(850)	-	(850)
Transfers	(12,045)	-	-	(12,045)	-	(743)	(743)	(50)	(12,838)
Assets available for sale	-	-	-	-	-	-	-	-	-
	(3,825)	-	7,279	3,454	1,126	(676)	449	4,082	7,985
Movements in accumulated depreciation									
Depreciation and amortisation	-	-	-	-	(4,939)	18	(4,921)	-	(4,921)
Revaluation increments/decrements	-	-	-	-	-	-	-	-	-
Accumulated depreciation of disposals	-	-	-	-	194	2	196	-	196
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	(4,745)	20	(4,725)	-	(4,725)
At fair value 30 June 2018	254,391	91,940	41,988	388,319	156,080	12,426	168,505	4,240	561,064
Accumulated depreciation at 30 June 2018	-	-	-	-	(41,819)	(358)	(42,177)	-	(42,177)
	254,391	91,940	41,988	388,319	114,261	12,068	126,329	4,240	518,888

Note 5.2 Property, infrastructure plant and equipment (Continued)

	Note	Plant machinery and equipment	Fixtures fittings and furniture	Computers and telcomms	Library books	Total plant and equipment
Plant and Equipment						
At fair value 1 July 2017		5,044	656	5,660	3,296	14,656
Accumulated depreciation at 1 July 2017		(2,684)	(652)	(5,643)	(1,977)	(10,956)
		2,360	4	17	1,319	3,700
Movements in fair value						
Acquisition of assets at cost		740	138	287	386	1,550
Revaluation increments/decrements		-	-	-	-	-
Cost of assets disposed		(651)	-	-	(1,548)	(2,199)
Impairment losses recognised in operating result		-	-	-	-	-
Transfers		-	-	-	-	-
		89	138	287	(1,162)	(649)
Movements in accumulated depreciation						
Depreciation and amortisation		(720)	(6)	(11)	(60)	(797)
Accumulated depreciation of disposals		477	-	-	1,086	1,562
Impairment losses recognised in operating result		-	-	-	-	-
Transfers		-	-	-	-	-
		(244)	(6)	(11)	1,026	765
At fair value 30 June 2018		5,133	794	5,947	2,134	14,007
Accumulated depreciation at 30 June 2018		(2,928)	(658)	(5,654)	(951)	(10,191)
		2,205	136	292	1,183	3,816

Note 5.2 Property, infrastructure plant and equipment (Continued)*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition. Fair value is the amount for which the asset could be exchanged between knowledgeable willing parties in an arm's length transaction.

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

In accordance with Council's policy, the threshold limits detailed in Note 5.2 have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

Land under roads

Land under roads acquired after 30 June 2008 is brought to account using the cost basis. Council does not recognise as an asset land under roads that it controlled prior to that period.

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 below and are consistent with the prior year unless otherwise stated.

Finance leases

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

Repairs and maintenance

Routine maintenance, repair costs, and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated. The carrying value of the replaced asset is expensed.

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, leasehold improvements are amortised over a 1 to 20 year period.

Note 5.2 Property, infrastructure plant and equipment (Continued)**Valuation of land and buildings**

Valuation of land and buildings were undertaken by a qualified independent valuer (Opteon, the municipal valuers). 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.

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

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Land - non specialised	-	91,940	-	Jan-16
Land - specialised	-	-	296,378	Jan-16
Buildings - non specialised	-	12,068	-	Jun-15
Buildings - specialised	-	-	114,261	Jun-15
Total	-	104,008	410,639	

Valuation of infrastructure

Valuation of infrastructure assets has been determined in accordance with a valuation undertaken by Assetic Pty Ltd.

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 2018 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
	\$'000	\$'000	\$'000	
Roads	-	-	702,439	Jun-16
Bridges	-	-	13,969	Jun-14
Footpaths	-	-	140,573	Jul-16
Drainage	-	-	325,700	Jun-16
Recreation	-	-	45,769	Jun-13
Kerb and Channel	-	-	103,024	Jul-16
Traffic Management	-	-	63,470	Jun-17
Car Parks	-	-	19,378	Jun-17
Other Infrastructure	-	-	1,297	Jun-14
Total	-	-	1,415,620	

Description of significant unobservable inputs into level 3 valuations

Note 5.2 Property, infrastructure plant and equipment (Continued)

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 \$1 and \$815 per square metre.

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 \$20 to \$300 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 years to 50 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 70 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.

	2018 \$'000	2017 \$'000
Reconciliation of specialised land		
Land under roads	41,988	34,709
Parks and reserves	254,391	258,216
Total specialised land	<u>296,378</u>	<u>292,925</u>

Note 5.3 Investment property

	2018 \$'000	2017 \$'000
Opening balance	6,791	6,617
Transfers to land and buildings	-	-
Additions	-	-
Revaluation Increment/(Decrement)	286	174
Total	<u>7,077</u>	<u>6,791</u>

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

Valuation of investment property

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

Note 5.4 Investments in associates, joint arrangements and subsidiaries

	2018	2017
	\$'000	\$'000
Unlisted shares - Regional Kitchen Pty Ltd		
Balance at beginning of year	370	1,349
Gain/(loss) taken to equity	(2)	(288)
Impairment loss	-	(691)
Balance at end of year	<u>368</u>	<u>370</u>

An impairment loss occurred in 2017 due to write-off of goodwill upon consolidation and restructure of Regional Kitchen Pty Ltd. Impairment recognised for goodwill is not reversed in subsequent periods.

Note 6 People and relationships**Note 6.1 Council and key management remuneration****(a) Key management Personnel**

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

Councillors	Councillor Sophie Ramsey (Mayor to October 2017)
	Councillor Bob Turner (Mayor from October 2017 - current)
	Councillor Kathy Majdlik
	Councillor Lara Carli
	Councillor Steve Abboushi
	Councillor Ken Hardy
	Councillor Melissa De Santis
	Councillor Goran Kesic
	Councillor Michelle Mendes

Total number of Councillors 9

Chief Executive Officer and other Key Management Personnel

CEO - Kelvin Tori
General Manager - Corporate Services Peter Bean
General Manager - Community Services Maurie Heaney
General Manager - Planning & Development Luke Shannon

Total Key Management Personnel 4

(b) Remuneration of Key Management Personnel

	2018	2017
	\$'000	\$'000
Total remuneration of key management personnel was as follows;		
Short-term benefits	1,492	1,419
Long-term benefits	27	25
Post-employment benefits	104	102
Termination benefits	-	-
Total	<u>1,623</u>	<u>1,546</u>

Note 6.1 Council and key management remuneration (continued)

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

	2018	2017
	No.	No.
\$1 - \$9,999	-	3
\$20,000 - \$29,999	-	5
\$30,000 - \$39,999	7	2
\$40,000 - \$49,999	-	1
\$50,000 - \$59,999	1	-
\$80,000 - \$89,999	-	1
\$90,000 - \$99,999	1	-
\$270,000 - \$279,999	3	3
\$380,000 - \$389,999	1	1
	<u>13</u>	<u>16</u>

(c) Senior Officers Remuneration

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

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

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

	2018	2017
	No.	No.
Income Range:		
< \$145,000	3	-
\$145,000 to \$149,999	1	-
\$150,000 to \$159,000	-	1
\$160,000 to \$169,999	9	13
\$170,000 to \$179,999	3	4
\$180,000 to \$189,999	3	3
\$250,000 to \$259,999	1	-
	<u>20</u>	<u>21</u>

	2018	2017
	\$'000	\$'000
Total remuneration for the reporting period for Senior officers included above, amounted to	3,151	3,067

Note 6.2 Related party disclosure**(a) Transactions with related parties**

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Key Management Personnel, or Related Parties of such Key Management Personnel during the reporting year, except as disclosed below. All transactions are at arms-length.

Salaries paid to close family members of Key Management Personnel	219	137
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(b) Outstanding balances with related parties

There are no outstanding balances with related parties as at 30 June 2018 (2017: Nil).

(c) Loans to/from related parties

No loans have been made, guaranteed or secured by the Council to Key Management Personnel of the Council during the reporting period (2017: Nil).

(d) Commitments to/from related parties

There are no commitments to or from related parties as at 30 June 2018 (2017: Nil).

Note 7 Managing uncertainties
Note 7.1 Contingent assets and liabilities

a) Contingent assets

Developer contributions to be received in respect of estates currently under development is in the range of \$65m to \$80m. (2017: \$70m to \$75m).

Operating lease receivables

The Council has entered into commercial property leases on its investment property. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 10 years.

	2018	2017
	\$'000	\$'000
Future minimum rentals receivable under non-cancellable operating leases are as follows:		
Not later than one year	276	276
Later than one year and not later than five years	1,020	1,020
Later than five years	25	25
	<u>1,321</u>	<u>1,321</u>

b) Contingent liabilities

Proceedings have been brought against the Council in the Supreme Court of Victoria in relation to land acquired by Council in the Taylors Hill West Precinct. The plaintiff asserts that rather than the value of compensation for the land being required to be determined by the Taylors Hill West Precinct Structure Plan and the Taylors Hill West Precinct Development Contributions Plan (DCP), instead, the value of land should have been determined under the Land Acquisition and Compensation Act 1958 (LAC Act). Council is defending this claim with the costs of this claim not known.

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

Note 7.2 Change in accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2018 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

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

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

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

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

Note 7.2 Change in accounting standards (continued)*Revenue from contracts with customers (AASB 15) (applies 2019/20)*

The standard shifts the focus from the transactional-level to a contract-based approach. Recognition is determined based on what the customer expects 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 extended over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

Leases (AASB 16) (applies 2019/20)

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

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

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

Note 7.3 Financial Instruments**(a) Objectives and policies**

The Council's principal financial instruments comprise cash assets, term deposits, receivables (excluding statutory receivables), payables (excluding statutory payables) and bank borrowings. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument is disclosed in Note 1 of the financial statements. Risk management is carried out by senior management under policies approved by the Council. These policies include identification and analysis of the risk exposure to Council and appropriate procedures, controls and risk minimisation.

(b) Market risk

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

Interest rate risk

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

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

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

Note 7.3 Financial Instruments (continued)

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 our balance sheet. To help manage this risk:

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

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

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

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

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

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

e) Fair value

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

Fair value hierarchy

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

Note 7.3 Financial Instruments (continued)**(f) Sensitivity disclosure analysis**

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

- A parallel shift of +1% and -2% in market interest rates (AUD) from year-end rates of 2.58%.

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.

Note 7.4 Fair value measurement*Fair value hierarchy*

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

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

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

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

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

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

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

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

Revaluation

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use on an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 5.2, property, infrastructure, plant and equipment.

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 2 to 5 years. The valuation is performed either by experienced council officers or independent experts.

Note 7.4 Fair value measurement (continued)

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

Note 7.5 Events occurring after balance date

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

	2018	2017
	\$'000	\$'000
Note 8 Other matters		
Note 8.1 Reserves		

(a) Asset revaluation reserve

Adjusted balance at beginning of reporting period	805,008	752,124
Increment (decrement)	-	52,884
Balance at end of reporting period	<u>805,008</u>	<u>805,008</u>

(b) Other reserves

Balances		
Street trees/drainage *	899	883
Community infrastructure *	73,182	59,176
Asset replacement	735	2,642
Perpetual Maintenance	126	124
Public Art	210	206
Available for Sale Financial Assets	-	-
Defined Benefit Call	358	352
Accommodation Reserve	7,790	7,790
Total other reserves	<u>83,301</u>	<u>71,173</u>
Total reserves	<u>888,309</u>	<u>876,181</u>

* Restricted Reserves

Note 8.1 Reserves (continued)

Movements	Opening balance \$'000	Movement \$'000	Closing balance \$'000
<u>Asset revaluation reserve</u>			
<i>Net movement in asset valuations</i>			
Land	226,355	-	226,355
Buildings	58	-	58
Roads	448,550	-	448,550
Bridges	5,023	-	5,023
Drains	123,430	-	123,430
Recreation	913	-	913
Other	679	-	679
Total	805,008	-	805,008
		2018	2017
		\$'000	\$'000
<u>Street trees/drainage</u>			
<i>Developer contributions for provision of drainage assets and street beautification</i>			
Balance at beginning of the financial year		883	864
Transfer from accumulated surplus		16	19
Transfer to accumulated surplus		-	-
Balance at end of the financial year		899	883
<u>Community infrastructure</u>			
<i>Provision of community infrastructure in developing subdivisions</i>			
Balance at beginning of the financial year		59,176	41,733
Transfer from accumulated surplus		38,995	42,370
Transfer to accumulated surplus		(24,989)	(24,927)
Balance at end of the financial year		73,182	59,176
<u>Asset replacement</u>			
<i>Provision for ongoing replacement of plant and equipment</i>			
Balance at beginning of the financial year		2,642	2,304
Transfer from accumulated surplus		44	984
Transfer to accumulated surplus		(1,951)	(646)
Balance at end of the financial year		735	2,642
<u>Perpetual Maintenance</u>			
<i>Provision for cemetery perpetual maintenance</i>			
Balance at beginning of the financial year		124	121
Transfer from accumulated surplus		2	3
Transfer to accumulated surplus		-	-
Balance at end of the financial year		126	124
<u>Public Art Reserve</u>			
<i>Provision for public art</i>			
Balance at beginning of the financial year		206	230
Transfer from accumulated surplus		4	5
Transfer to accumulated surplus		-	(29)
Balance at end of the financial year		210	206

Note 8.1	Reserves (continued)	2018	2017
		\$'000	\$'000
	<u>Available for Sale Financial Assets</u>		
	<i>Provision for movements in available for sale financial assets</i>		
	<i>(Regional Kitchen Refer Note 5.4)</i>		
	Balance at beginning of the financial year	-	289
	Gain taken to equity	-	-
	Loss taken to equity	-	(289)
	Balance at end of the financial year	<u>-</u>	<u>-</u>
	<u>Defined Benefit Call</u>		
	<i>Provision for Defined Benefit Call</i>		
	Balance at beginning of the financial year	352	344
	Transfer from accumulated surplus	6	8
	Transfer to accumulated surplus	-	-
	Balance at end of the financial year	<u>358</u>	<u>352</u>
	<u>Accommodation Reserve</u>		
	<i>Provision for Accommodation</i>		
	Balance at beginning of the financial year	7,790	-
	Transfer from accumulated surplus	-	7,790
	Transfer to accumulated surplus	-	-
	Balance at end of the financial year	<u>7,790</u>	<u>7,790</u>
Note 8.2	Reconciliation of cash flows from operating activities to surplus/(deficit)		
	<i>Surplus for the year</i>	168,547	125,657
	Depreciation and amortisation	31,384	28,168
	Contributions - Non-monetary assets	(112,634)	(70,908)
	(Profit)/loss on disposal property, infrastructure, plant and equip.	(23,471)	(13,858)
	Fair value adjustments for investment property	(286)	(174)
	Grants - Capital	-	1,663
	Asset Impairment	-	691
	<i>Change in assets and liabilities</i>		
	(Increase)/decrease in rate debtors	73	72
	(Increase)/decrease in other receivables	(471)	(14,522)
	(Increase)/decrease in land held for resale	(1,058)	885
	Increase/(decrease) in payables	11,123	(4,262)
	Increase/(decrease) in provisions	166	1,858
	(Increase)/decrease in inventories	(143)	10
	Increase/(decrease) in trust funds	-	4
	Net cash provided by operating activities	<u>73,230</u>	<u>55,284</u>

Note 8.3 Superannuation

Melton City Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in Comprehensive 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 2018, this was 9.5% required under Superannuation Guarantee legislation).

Defined Benefit

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

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

Funding arrangements

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

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

Net investment returns 6.5% pa
Salary information 3.5% pa
Price inflation (CPI) 2.5% pa.

Vision Super has advised that the estimated VBI at June 2018 was 106.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2017 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.

Note 8.3 Superannuation (Continued)**Employer contributions****Regular contributions**

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

Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated. Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

2017 triennial actuarial investigation surplus amounts

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

- A VBI surplus of \$69.8 million;
- A total service liability surplus of \$193.5 million; and
- A discounted accrued benefits surplus of \$228.8 million.

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

The total service liability surplus means that the current value of the assets in the Fund's defined benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Melton City Council was notified of the 30 June 2017 VBI during August 2017.

2018 Interim actuarial investigation

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

PERFORMANCE STATEMENT

For the Year Ended 30 JUNE 2018



Draft

Performance Statement

For the year ended 30 June 2018

Description of municipality

The Melton City Council (the council) is one of the fastest growing municipalities in Australia, offering the best in urban and rural lifestyles and affordable land within a comfortable commuting distance from Melbourne, Victoria and links to Melbourne's key freeways, airports and the Port of Melbourne.

The City of Melton embraces a series of townships and communities including Caroline Springs (19 kilometres west of Melbourne's CBD) and Melton (35 kilometres west of Melbourne's CBD).

The council is also the home of harness racing. Tabcorp Park, the harness racing and entertainment complex in Melton, along with many horse trainers, training facilities and breeders located in the City of Melton enhances the City's reputation as one of the premier equine municipalities in the country.

Other Information

For the year ended 30 June 2018

1. Basis of preparation

Council is required to prepare and include a performance statement within its annual report.

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

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

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

The forecast figures included in the performance statement are those adopted by Council in its strategic resource plan on 25 June 2018 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 Statement. The strategic resource plan can be obtained by contacting Council.

Sustainable Capacity Indicators

For the year ended 30 June 2018

Indicator / measure	Results				Material Variations
	2015	2016	2017	2018	
Population					
<i>Expenses per head of municipal population</i> [Total expenses / Municipal population]	\$969.62	\$940.98	\$996.14	\$1,005.32	No material variation
<i>Infrastructure per head of municipal population</i> [Value of infrastructure / Municipal population]	\$7,485.40	\$9,741.57	\$13,247.46	\$10,136.42	Variance caused by annual variation of population growth
<i>Population density per length of road</i> [Municipal population / Kilometres of local roads]	129.3	130.93	130.89	138.71	No material variation
Own-source revenue					
<i>Own-source revenue per head of municipal population</i> [Own-source revenue / Municipal population]	\$756.07	\$810.41	\$928.95	\$993.37	Increase in income due to land sales and growth in other operating income
Recurrent grants					
<i>Recurrent grants per head of municipal population</i> [Recurrent grants / Municipal population]	\$232.82	\$143.85	\$225.15	\$189.32	Variance caused by annual variation of population growth
Disadvantage					
<i>Relative socio-economic disadvantage</i>	7	7	7	5	The movement in Melton's result can be attributed to a smaller proportion of high income households, higher unemployment rate, lower percentage of low-skilled occupations and people without qualifications and a smaller percentage of persons employed as Professionals and Managers

Service/indicator /measure	Results				Material Variations
	2015	2016	2017	2018	
Aquatic facilities					
Utilisation					
<i>Utilisation of aquatic facilities</i>	2.17	1.93	1.8	1.69	The 2018 result was impacted by major maintenance works resulting in a 12 week closure of some areas
[Number of visits to aquatic facilities / Municipal population]					
Animal management					
Health and safety					
<i>Animal management prosecutions</i>	18	2	8	14	The introduction of the new guideline on Dog Attacks has resulted in an increase in and consistent approach to prosecutions
[Number of successful animal management prosecutions]					
Food safety					
Health and safety					
<i>Critical and major non-compliance notifications</i>	0.00%	100.00%	100.00%	0.00%	
[Number of critical non-compliance notifications and major non-compliance notifications about a food premises followed up / Number of critical non-compliance notifications and major non-compliance notifications about food premises] x100					

Service/indicator /measure	Results				Material Variations
	2015	2016	2017	2018	
Governance					
Satisfaction					
<i>Satisfaction with council decisions</i>	60	56	55	60	Improvement in this result can be attributed to increased confidence in a number of areas including (but not limited to) how Council has dealt with the issues of safety, consultation and engagement and overall transparency in its operations and meetings
[Community satisfaction rating out of 100 with how council has performed in making decisions in the interest of the community]					
Home and community care					
Participation					
<i>Participation in HACC service</i>	14.00%	10.52%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of people that received a HACC service / Municipal target population for HACC services] x100					
Participation					
<i>Participation in HACC service by CALD people</i>	4.00%	6.95%	N/A	N/A	Reporting on HACC ceased on 1 July 2016 due to the introduction of the Commonwealth Government's NDIS and CHSP programs.
[Number of CALD people who receive a HACC service / Municipal target population in relation to CALD people for HACC services] x100					

Service/Indicator /measure	Results				Material Variations
	2015	2016	2017	2018	
Libraries					
Participation					
Active library members [Number of active library members / Municipal population] x100	12.48%	11.26%	10.26%	9.43%	
Maternal and child health					
Participation					
Participation in the MCH service [Number of children who attend the MCH service at least once (in the year) / Number of children enrolled in the MCH service] x100	73.00%	73.05%	72.05%	68.95%	A number of staff reductions relating to Maternity Leave, staff secondments and commencement of the Right@Home program impacted the result in 2018. Recruitment to backfill vacancies is ongoing
Participation in the MCH service by Aboriginal children [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	62.00%	61.62%	58.81%	57.31%	Council is working with Koolin Balat to increase the Aboriginal and Torres Strait Islander attendance
Roads					
Satisfaction					
Satisfaction with sealed local roads [Community satisfaction rating out of 100 with how council has performed on the condition of sealed local roads]	62	64	62	63	

Service/Indicator /measure	Results				Material Variations
	2015	2016	2017	2018	
Statutory Planning					
Decision making					
<i>Council planning decisions upheld at VCAT</i>	50.00%	50.00%	28.57%	25.00%	Annual percentage variations for this indicator appear high as a result of the low numbers involved. Of the four decisions for the year, only one was not set aside
[Number of VCAT decisions that did not set aside council's decision in relation to a planning application / Number of VCAT decisions in relation to planning applications] x100					
Waste Collection					
Waste diversion					
<i>Kerbside collection waste diverted from landfill</i>	43.00%	43.39%	53.03%	49.30%	Population growth will continue to see increases in waste generation rates for the Melton municipality however ongoing initiatives, including our resource education program, social media campaigns, engagement at events and bin inspection programs will continue to encourage positive recycling behaviours and waste diversion. Such results can be seen in our increasing recycling rates in the kerbside service.
[Weight of recyclables and green organics collected from kerbside bins / Weight of garbage, recyclables and green organics collected from kerbside bins] x100					

Financial Performance Indicators

For the year ended 30 June 2018

Dimension/indicator /measure	Results					Forecasts			Material Variations
	2016	2017	2018	2019	2020	2021	2022		
Efficiency									
Revenue level									
Average residential rate per residential property assessment	\$1,608.42	\$1,704.23	\$1,690.12	\$1,714.53	\$1,674.40	\$1,541.45	\$1,474.57	No material variation.	
[Residential rate revenue / Number of residential property assessments]									
Expenditure level									
Expenses per property assessment	\$2,494.77	\$2,733.24	\$2,764.22	\$2,789.03	\$2,725.88	\$2,581.73	\$2,496.77	No material variation.	
[Total expenses / Number of property assessments]									
Workforce turnover									
Resignations and terminations compared to average staff	11.26%	10.08%	15.99%	9.17%	9.07%	8.89%	8.74%	Spike in 2017-18 is due to transition of casual positions into part time and full time positions	
[Number of permanent staff resignations and terminations / Average number of permanent staff for the financial year] x100									
Liquidity									
Working capital									
Current assets compared to current liabilities	304.95%	584.96%	633.96%	783.71%	920.56%	1078.15%	1290.76%	Increased cash was generated from operational activities due to growth of income.	
[Current assets / Current liabilities] x100									

Dimension/Indicator /measure	Results					Forecasts			Material Variations
	2016	2017	2018	2019	2020	2021	2022		
Unrestricted cash									
Unrestricted cash compared to current liabilities	11.97%	91.56%	125.47%	215.96%	276.01%	380.88%	554.98%	Increased cash from operating activities due to growth of income.	
[Unrestricted cash / Current liabilities] x100									
Obligations									
Asset renewal									
Asset renewal compared to depreciation	22.32%	42.35%	39.22%	16.74%	12.15%	17.09%	4.07%	No material variation	
[Asset renewal expenses / Asset depreciation] x100									
Loans and borrowings									
Loans and borrowings compared to rates	31.37%	22.32%	17.68%	13.93%	9.86%	7.34%	5.12%	Due to positive cashflow and operating performance has enabled Council to reduce borrowings. Trend will continue over medium term.	
[Interest bearing loans and borrowings / Rate revenue] x100									
Loans and borrowings									
Loans and borrowings repayments compared to rates	9.37%	8.27%	4.07%	3.16%	2.74%	1.93%	1.74%	Positive cashflow and operating performance has enabled Council to reduce borrowings. Growth rates revenue has increased significantly. Trend will continue over the medium term.	
[Interest and principal repayments on interest bearing loans and borrowings / Rate revenue] x100									

Dimension/Indicator /measure	Results					Forecasts			Material Variations
	2016	2017	2018	2019	2020	2021	2022		
Indebtedness									
Non-current liabilities compared to own source revenue	24.65%	18.53%	14.16%	12.38%	9.71%	7.61%	5.75%		Council has reduced its borrowings and is forecast to do so over the medium term.
[Non-current liabilities / Own source revenue] x100									
Operating position									
Adjusted underlying result									
Adjusted underlying surplus (or deficit)	1.81%	13.69%	15.44%	1.76%	11.49%	14.86%	18.18%		Increase in income and forecasted income is due to growth in land sales.
[Adjusted underlying surplus (deficit) / Adjusted underlying revenue] x100									
Stability									
Rates concentration									
Rates compared to adjusted underlying revenue	70.15%	60.68%	57.22%	66.23%	65.77%	67.04%	68.62%		Decrease is due mainly to growth in land sales in 2017-18
[Rate revenue / Adjusted underlying revenue] x100									
Rates effort									
Rates compared to property values	0.44%	0.43%	0.42%	0.40%	0.39%	0.41%	0.43%		No material variation.
[Rate revenue / Capital improved value of rateable properties in the municipality] x100									

Certification of Performance Statement

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

Salvatore Rumoro CPA
Principal Accounting Officer

Dated: 17 September 2018

In our opinion, the accompanying performance statement of the Melton City Council for the year ended 30 June 2018 presents fairly the results of the 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 the performance statement in their final form.

Cr. Bob Turner
Mayor

Dated: 17 September 2018

Cr. Ken Hardy
Deputy Mayor

Dated: 17 September 2018

Kelvin Tori
Chief Executive Officer

Dated: 17 September 2018