

**West Wimmera Shire Council  
ANNUAL FINANCIAL REPORT**

*For the Year Ended 30 June 2020*



**West Wimmera Shire Council**  
**Financial Report**  
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## Certification of the Financial Statements

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



Mr Ashley Roberts, B.Com, AssocDip Acc, CPA, AICD  
**Principal Accounting Officer**

**Date :** 21-Oct-20

Edenhope

In our opinion the accompanying financial statements present fairly the financial transactions of West Wimmera Shire Council for the year ended 30 June 2020 and the financial position of the Council as at that date.

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

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



Cr Richard Hicks

**Councillor**

**Date :** 21-Oct-20

Edenhope



Cr Bruce Meyer

**Mayor**

**Date :** 21-Oct-20



Mr David Leahy

**Chief Executive Officer**

Edenhope

**Date :** 21-Oct-20

## Independent Auditor's Report

### To the Councillors of West Wimmera Shire Council

<b>Opinion</b>	<p>I have audited the financial report of West Wimmera Shire Council (the council) which comprises the:</p> <ul style="list-style-type: none"> <li>• balance sheet as at 30 June 2020</li> <li>• comprehensive income statement for the year then ended</li> <li>• statement of changes in equity for the year then ended</li> <li>• statement of cash flows for the year then ended</li> <li>• statement of capital works for the year then ended</li> <li>• notes to the financial statements, including significant accounting policies</li> <li>• certification of the financial report.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the council as at 30 June 2020 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 6 of the <i>Local Government Act 1989</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Councillors's responsibilities for the financial report</b>	<p>The Councillors of the council are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Local Government Act 1989</i>, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Councillors are responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's responsibilities for the audit of the financial report**

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the council's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Councillors
- conclude on the appropriateness of the Councillors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Councillors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
29 October 2020



Sanchu Chummar

*as delegate for the Auditor-General of Victoria*

## Comprehensive Income Statement For the Year Ended 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Income</b>			
Rates and charges	3.1	7,793	7,510
Statutory fees and fines	3.2	137	192
User fees	3.3	524	571
Grants - operating	3.4	7,971	8,512
Grants - capital	3.4	3,245	9,796
Contributions - monetary	3.5	199	112
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	153	75
Share of net profits (or loss) of associates and joint ventures	6.3	132	(425)
Reimbursements - Vic Roads	3.7	1,368	1,562
Other income	3.7	1,117	1,222
<b>Total income</b>		<b>22,639</b>	<b>29,127</b>
<b>Expenses</b>			
Employee costs	4.1	8,152	7,107
Materials and services	4.2	6,894	7,025
Depreciation	4.3	7,554	7,664
Bad and doubtful debts	4.4	2	17
Asset write downs		-	1,039
Other expenses	4.5	249	303
<b>Total expenses</b>		<b>22,851</b>	<b>23,155</b>
<b>Surplus/(deficit) for the year</b>		<b>(212)</b>	<b>5,972</b>
<b>Items that will not be reclassified to surplus or deficit in future periods</b>			
Net asset revaluation increment/(decrement)	6.2	(2,074)	(28,344)
Share of other comprehensive income of associates and joint ventures	6.3	(120)	430
<b>Total comprehensive result</b>		<b>(2,406)</b>	<b>(21,942)</b>

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

## Balance Sheet As at 30 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1	14,674	15,118
Trade and other receivables	5.1	315	2,091
Inventories	5.2	155	263
Non-current assets classified as held for sale	6.1	-	14
Other assets	5.2	356	287
<b>Total current assets</b>		<b>15,500</b>	<b>17,773</b>
<b>Non-current assets</b>			
Trade and other receivables	5.1	160	167
Investments in associates, joint arrangements and	6.3	436	436
Property, infrastructure, plant and equipment	6.2	194,964	195,212
<b>Total non-current assets</b>		<b>195,560</b>	<b>195,815</b>
<b>Total assets</b>		<b>211,060</b>	<b>213,588</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3	718	1,293
Trust funds and deposits	5.3	232	32
Provisions	5.4	2,370	2,399
<b>Total current liabilities</b>		<b>3,320</b>	<b>3,724</b>
<b>Non-current liabilities</b>			
Provisions	5.4	600	306
<b>Total non-current liabilities</b>		<b>600</b>	<b>306</b>
<b>Total liabilities</b>		<b>3,920</b>	<b>4,030</b>
<b>Net assets</b>		<b>207,140</b>	<b>209,558</b>
<b>Equity</b>			
Accumulated surplus		45,033	43,787
Reserves	9.1	162,107	165,771
<b>Total Equity</b>		<b>207,140</b>	<b>209,558</b>

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

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

2020	Note	Total \$'000	Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		209,558	43,787	161,786	3,985
Impact of change in accounting policy - AASB 15 Revenue from Contracts with Customers	10	-	-	-	-
Impact of change in accounting policy - AASB 1058 Income of Not-for-Profit Entities	10	-	-	-	-
Impact of change in accounting policy - AASB 16 Leases	5.8	-	-	-	-
Adjusted Opening balance		<u>209,558</u>	<u>43,787</u>	<u>161,786</u>	<u>3,985</u>
Surplus/(deficit) for the year		(212)	(212)	-	-
Share of other comprehensive income of associates	6.3	(132)	(132)	-	-
Net asset revaluation increment/(decrement)	6.2	(2,074)	-	(2,074)	-
Transfers to other reserves	9.1	-	(1,085)	-	1,085
Transfers from other reserves	9.1	-	2,675	-	(2,675)
<b>Balance at end of the financial year</b>		<u><b>207,140</b></u>	<u><b>45,033</b></u>	<u><b>159,712</b></u>	<u><b>2,395</b></u>

2019			Accumulated Surplus \$'000	Revaluation Reserve \$'000	Other Reserves \$'000
Balance at beginning of the financial year		231,500	36,992	190,130	4,378
Surplus/(deficit) for the year		5,972	5,972	-	-
Share of other comprehensive income of associates	6.3	430	430	-	-
Net asset revaluation increment/(decrement)	6.2	(28,344)	-	(28,344)	-
Transfers to other reserves	9.1	-	(2,879)	-	2,879
Transfers from other reserves	9.1	-	3,272	-	(3,272)
<b>Balance at end of the financial year</b>		<u><b>209,558</b></u>	<u><b>43,787</b></u>	<u><b>161,786</b></u>	<u><b>3,985</b></u>

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



**Statement of Cash Flows**  
**For the Year Ended 30 June 2020**

	Note	2020 Inflows/ (Outflows) \$'000	2019 Inflows/ (Outflows) \$'000
<b>Cash flows from operating activities</b>			
Rates and charges		7,891	7,473
Statutory fees and fines		137	211
User fees		861	308
Grants - operating		7,971	8,512
Grants - capital		3,245	9,796
Contributions - monetary		199	112
Interest received		221	256
Other receipts		2,263	3,723
Employee costs		(7,887)	(6,824)
Materials and services		(6,319)	(11,100)
<b>Net cash provided by/(used in) operating activities</b>		<b>8,582</b>	<b>12,467</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(9,458)	(9,102)
Proceeds from sale of property, infrastructure, plant and equipment		232	150
<b>Net cash provided by/(used in) investing activities</b>		<b>(9,226)</b>	<b>(8,952)</b>
Trust funds and other deposits		200	-
Movement in investments		-	1,100
Repayment of borrowings		-	(34)
<b>Net cash provided by/(used in) financing activities</b>		<b>200</b>	<b>1,066</b>
Net increase (decrease) in cash and cash equivalents		(444)	4,581
Cash and cash equivalents at the beginning of the financial year		15,118	10,537
<b>Cash and cash equivalents at the end of the financial year</b>		<b>14,674</b>	<b>15,118</b>
Financing arrangements	5.5		
Restrictions on cash assets	5.1		

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

**Statement of Capital Works  
For the Year Ended 30 June 2020**

	Note	2020 \$'000	2019 \$'000
<b>Property</b>			
Land improvements		51	620
<b>Total land</b>		<b>51</b>	<b>620</b>
Buildings		1,900	1,263
<b>Total buildings</b>		<b>1,900</b>	<b>1,263</b>
<b>Total property</b>		<b>1,951</b>	<b>1,883</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		1,053	540
Fixtures, fittings and furniture		23	21
<b>Total plant and equipment</b>		<b>1,076</b>	<b>561</b>
<b>Infrastructure</b>			
Roads		6,466	5,632
Bridges		285	626
Footpaths and cycleways		95	179
Drainage		57	221
<b>Total Infrastructure</b>		<b>6,903</b>	<b>6,658</b>
<b>Total capital works expenditure</b>		<b>9,930</b>	<b>9,102</b>
<b>Represented by:</b>			
New asset expenditure		90	77
Asset renewal expenditure		6,442	5,643
Asset upgrade expenditure		3,398	3,382
<b>Total capital works expenditure</b>		<b>9,930</b>	<b>9,102</b>

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

## OVERVIEW

### Introduction

The West Wimmera Shire Council was established by an Order of the Governor in Council on 20th January 1995 and is a body corporate.

The Council's main office is located at 49 Elizabeth Street, Edenhope, VIC 3318

### Statement of compliance

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

### Significant accounting policies

#### (a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.4)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of *AASB 15 Revenue from Contracts with Customers* or *AASB 1058 Income of Not-for-Profit Entities* (refer to Note 3)

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on Council based on known information. The consideration extends to the nature of services offered, facilities and assets Council manages and operates, Council staffing, ratepayers and the geographic area that Council operates in. The key area of estimate and judgement associated with COVID-19 and Council's financial statements, is detailed in Note 6.2 regarding fair value of property, infrastructure, plant and equipment.

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (except where transitional requirements of *AASB 15 Revenue from Contracts with Customers*, *AASB 16 Leases* and *AASB 1058 Income of Not-for-Profit Entities* do not require restatement of comparatives under the modified retrospective approach adopted by the Council), and disclosure has been made of any material changes to comparatives.

**Note 1 Performance against budget**

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2014* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

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

**1.1 Income and expenditure**

	Budget 2020 \$'000	Actual 2020 \$'000	Variance 2020 \$'000	Variance 2020 %	Ref
<b>Income</b>					
Rates and charges	7,766	7,793	27	0.35%	
Statutory fees and fines	129	137	8	6.20%	
User fees	677	524	(153)	-22.60%	1
Grants - operating	7,310	7,971	661	9.04%	2
Grants - capital	3,078	3,245	167	5.42%	3
Contributions - monetary	86	199	113	131.40%	4
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	90	153	63	70.00%	5
Share of net profits/(losses) of associates and joint v	-	132	132	100.00%	
Other income	2,631	2,485	(146)	-5.55%	6
<b>Total income</b>	<b>21,767</b>	<b>22,639</b>	<b>841</b>	<b>3.86%</b>	
<b>Expenses</b>					
Employee costs	7,707	8,152	445	5.77%	7
Materials and services	6,159	6,894	735	11.93%	8
Depreciation	6,998	7,554	556	7.95%	9
Bad and doubtful debts	-	2	2	100.00%	
Borrowing costs	7	-	(7)	-100.00%	
Other expenses	266	249	(17)	6.39%	
<b>Total expenses</b>	<b>21,137</b>	<b>22,851</b>	<b>1,714</b>	<b>8.11%</b>	
<b>Surplus/(deficit) for the year</b>	<b>630</b>	<b>(212)</b>	<b>(873)</b>	<b>-133.65%</b>	

**(i) Explanation of material variations**

Variance Ref	Item	
1	User fees	User fees were 22.57% (\$153,000) below the original budget for 2019/20. This is predominantly due to income from quarry operations originally being budgeted to User Fees instead of Other Income. User Fees excluding the budgeted income from quarry operations were \$58,000 above budget, which predominantly relates to higher than anticipated reimbursements for private works.
2	Grants - operating	Operating grants were 9.04% (\$661,000) above 2019/20 original budget. This is predominantly due to higher than anticipated Financial Assistance funding along with the Victorian Grants Commission prepayment for the 2020/21 year being higher than originally budgeted for.
3	Grants - capital	Capital grants received by Council were 5.43% (\$167,000) above original budget for the 2019/20 year. This is mainly due to the receipt of Flood Recovery funding of \$656,000 in relation to a prior year which had not been budgeted for. This is somewhat offset by lower than anticipated income from the Fixing Country Roads program.

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4	Contributions - Monetary	Contributions - Monetary received by Council were 131.16% (\$113,000) over the original 2019/20 budget. This is due to higher than anticipated contributions received towards major projects including the Harrow Recreation Reserve, Kaniva Cultural Precinct and the Edenhope and Districts Community Centre.
5	Net gain/(loss) on disposal of property, infrastructure, plant and equipment	Net gain/(loss) on disposal of property, infrastructure, plant and equipment was 69.83% (\$63,000) above budget. This is due to higher than anticipated proceeds from trade-in of fleet vehicles & transport equipment.
6	Other income	Other income was 5.55% (\$146,000) below budget for 2019/20. This is due to VicRoads works and subsequent reimbursements having not been completed to the budgeted schedule. Higher than anticipated income from Quarry operations partly offsets this variance.
7	Employee costs	Employee operating costs were 5.78% (\$445,000) above original budget for 2019/20. Capital employee costs were below budget by \$277,000 therefore total employee costs were \$168,000 over the original budget. This variance can be mainly attributed to the following: - Long service leave expense in relation to the corresponding provision totalled \$258,000 which was \$79,000 higher than budget - Income protection insurance was \$106,000 higher than budget - Sick leave was \$230,000 higher than budget, however this has been partially offset with \$154,802 claimed back through Income Protection and \$46,789 through Workers Compensation Insurance (shown in Other Income)
8	Materials and services	Materials and services were 11.93% (\$735,000) above the original 2019/20 budget. This is predominantly in the contractors area and in relation to additional works undertaken as a result of additional operational funding.
9	Depreciation	Depreciation shows a variance of 7.95% (\$556,000) above budget for 2019/20. This is largely a result of increased infrastructure depreciation resulting from a reassessment of useful lives as part of the revaluation process undertaken during 2018-19.

1.2 Capital works

	Budget 2020 \$'000	Actual 2020 \$'000	Variance \$'000	Variance %	Ref
<b>Property</b>					
Buildings	962	1,900	938	97.51%	10
<b>Total buildings</b>	<b>962</b>	<b>1,900</b>	<b>938</b>	<b>97.51%</b>	
<b>Total property</b>	<b>962</b>	<b>1,900</b>	<b>938</b>	<b>97.51%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,020	1,053	33	3.24%	
Computers and telecommunications	15	23	8	53.33%	11
<b>Total plant and equipment</b>	<b>1,035</b>	<b>1,076</b>	<b>41</b>	<b>3.96%</b>	
<b>Infrastructure</b>					
Roads	6,590	6,466	(124)	-1.88%	12
Bridges	325	285	(40)	-12.31%	13
Footpaths and cycleways	85	95	10	11.76%	
Drainage	50	57	7	14.00%	
Parks, open space and streetscapes	149	51	(98)	-65.77%	14
<b>Total infrastructure</b>	<b>149</b>	<b>6,954</b>	<b>(245)</b>	<b>-164.43%</b>	
<b>Represented by:</b>					
New asset expenditure	137	90	(47)	-34.31%	
Asset renewal expenditure	7,617	6,442	(1,175)	-15.43%	
Asset upgrade expenditure	1,442	3,398	1,956	135.64%	
<b>Total capital works expenditure</b>	<b>9,196</b>	<b>9,930</b>	<b>734</b>	<b>7.98%</b>	

(i) Explanation of material variations

Variance Ref	Item	
10	Buildings	Capital works on buildings were 97.51% (\$938,000) over original budget for 2019/20. This is predominantly due to increased funding received during the year which was spent on major building projects such as the Edenhope and Districts Community Centre, Kaniva Wetlands buildings and public amenities buildings.
11	Computers and telecommunications	Computers and telecommunications shows a variance of 53.33% (\$8,000) above budget. This is due to funds carried forward from a prior year being expensed in 2019/20.
12	Roads	Capital works on roads are 1.88% (\$124,000) below the budget for 2020 financial year. This variance is due to several road projects coming in slightly under budget along with the construction of several projects including Border Road not yet undertaken, with budgeted funds to be carried over to the 2021 financial year.
13	Bridges	Capital works on bridges are 12.31% (\$40,000) below budget for the 2020 financial year. This is mostly due to the Kadnook-Connewirricoo bridge project cost being lower than anticipated.
14	Parks, open space and streetscapes	Capital spending on Parks, Gardens and Other is 65.77% (\$98,000) below budget for the 2020 financial year. This is predominantly due to several projects including Henley Park playground equipment and the Indigenous Cricket Trail project yet to be completed.

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

Council delivers its functions and activities through the following programs.

**2 (a) Community Services**

Community Services provides efficient and effective services to meet the growing needs of the community and is dedicated to the health, safety and amenity of the community. Its services include Aged and Disability Services, Arts and Culture, Children Youth and Family Services, Recreation Sport Leisure and Tourism and Events.

**Corporate Services**

Corporate Services provides a range of administrative services to Council, including Customer Services, Finance, Human Resources, Information Technology, Occupational Health and Safety and Records Management.

**Development and Environmental Services**

Development and Environmental Services provide for the planning and encouragement of growth and development within the shire. Services include Town Planning, Building Control, Local Laws and Regulatory Services, Environmental Health and Economic Development.

**Engineering**

Engineering is responsible for constructing new infrastructure and maintaining existing infrastructure across a diverse range of assets that underpin the wellbeing of the community. These assets include capital works engineering services, waste management, parks and gardens, emergency management and infrastructure maintenance.

**Governance**

Governance provides effective governance oversight of the organisation. Service areas include Community Support, CEO Office and Elected Members.

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

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2020	\$'000	\$'000	\$'000	\$'000	\$'000
Community Services	1,652	(2,398)	(746)	1,355	53
Corporate Services	12,064	(3,330)	8,734	4,070	16,136
Development and Environmental Services	1,027	(1,432)	(405)	844	56
Engineering	7,895	(14,305)	(6,410)	4,947	191,704
Governance	0	(1,385)	(1,385)	-	3,111
	22,640	(22,850)	(212)	11,216	211,060

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Community Services	1,522	(2,225)	(703)	1,205	-
Corporate Services	12,084	(3,081)	9,003	4,906	18,603
Development and Environmental Services	4,723	(1,563)	3,160	4,470	14
Engineering	10,722	(15,196)	(4,474)	7,652	191,454
Governance	76	(1,090)	(1,014)	75	3,517
	29,127	(23,155)	5,972	18,308	213,588



**Note 2.1 COVID-19 impact on 2019-20 operations of Council**

The Coronavirus (COVID-19), was declared a world-wide pandemic by the World Health Organisation in March 2020. COVID-19, as well as measures to slow the spread of the virus, have since had an impact on the Australian and local economy.

As at the date of preparation of these financial statements the impact of the Coronavirus (COVID-19) pandemic is ongoing and the situation is rapidly changing, developing. The speed and recovery of economic activity is largely dependent on measures imposed by the Australian Government, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

COVID-19, as well as measures including government directives to slow the spread of the virus in Australia, have impacted Council operations in the following areas:

- Council's leisure centre facilities, libraries, town halls, community centres and customer service centres were closed for periods of time during the last quarter of FY 2020. User charge based items such as admission fees and hall hire fees have reduced due to stay at home measures. Closure of some of Council's facilities and reduction in user charge based items has resulted in a decrease in Council's user fee revenue and also decreased associated expenses.
- Council's rate revenue may be impacted by rate and interest deferrals available to ratepayers whom lodge hardship claims under our new Covid-19 Hardship Policy.

The above impacts on the financial statements for the year ended 30 June 2020, have led to a reduction in income and expenditure in some areas, however overall there has not been a significant impact to Council's 30 June 2020 financial statements.

Given the dynamic and evolving nature of COVID-19, limited recent experience of the economic and financial impacts of such a pandemic on the preparation of these financial statements, changes to the estimates and judgements that have been applied in the measurement of assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

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

Council uses Capital Improved Value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is its current market value determined by Council's contract valuer.  
The valuation base used to calculate general rates for 2019/20 was \$2,569 million (2018/19 \$2,098 million).

General rates	6,813	6,558
Municipal charge	448	434
Waste management charge	532	518
<b>Total rates and charges</b>	<b>7,793</b>	<b>7,510</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2018, and the valuation will be first applied in the rating year commencing 1 July 2019.

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

### 3.2 Statutory fees and fines

Animal management	27	37
Building fees	49	82
Permits	4	16
Town planning fees	43	29
Infringements and costs	2	3
Other	12	25
<b>Total statutory fees and fines</b>	<b>137</b>	<b>192</b>

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

### 3.3 User fees

Refuse disposal fees	44	38
User charges	90	22
Caravan park fees	22	34
Other fees and charges	-	93
<b>Total user fees</b>	<b>156</b>	<b>187</b>
<b>User fees by timing of revenue recognition</b>		
User fees recognised over time	-	-
User fees recognised at a point in time	524	571
<b>Total user fees</b>	<b>524</b>	<b>571</b>

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

### 3.4 Funding from other levels of government

Grants were received in respect of the following :

<b>Summary of grants</b>		
Commonwealth funded grants	8,828	13,738
State funded grants	2,388	4,570
<b>Total grants received</b>	<b>11,216</b>	<b>18,308</b>

#### (a) Operating Grants

##### **Recurrent - Commonwealth Government**

Financial Assistance Grants	6,328	5,869
CHSP	364	336

##### **Recurrent - State Government**

HACC Programs	141	128
Preschool operating	399	293
Maternal and child health	306	263
Pest and weed control	75	67
Preschool cluster management	42	89
Supported Parent Groups and Playgroups	15	56
Senior citizens	3	14
Youth initiatives	24	22
Other	6	17
<b>Total recurrent operating grants</b>	<b>7,703</b>	<b>7,154</b>

	2020 \$'000	2019 \$'000
<b>Non-recurrent - Commonwealth Government</b>		
Staff Training	2	-
<b>Non-recurrent - State Government</b>		
Harrow Recreation Reserve upgrade	100	1,092
Fire Services Levy Implementation Grant	43	41
Goroke Silo Art	-	9
Serviceeton & Kaniva Silo Art	-	91
Rural Outreach Project	-	75
Lake Charlegrark Precinct Development	-	50
Community Activation & Social Isolation	34	-
COVID-19 Support	11	-
Kaniva Kinder Landscaping	50	-
Kinder IT Funding	4	-
Digitise Lawloit Times	15	-
MAV Health Projects	8	-
Immunisations	1	-
<b>Total non-recurrent operating grants</b>	<b>268</b>	<b>1,358</b>
<b>Total operating grants</b>	<b>7,971</b>	<b>8,512</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	1,528	1,446
Community Halls	(50)	1,268
Recreation	-	517
<b>Recurrent - State Government</b>		
New or Upgraded Bridges	-	214
New or Upgraded Roads	-	1,283
<b>Total recurrent capital grants</b>	<b>1,478</b>	<b>4,728</b>
<b>Non-recurrent - Commonwealth Government</b>		
Flood Recovery (NDRRA)	656	4,302
<b>Non-recurrent - State Government</b>		
Community Services	29	29
Lillimur Stn Rd	-	50
Buildings	157	622
Recreation	-	57
Cemeteries	-	8
Fixing Country Roads	862	-
Fire Access Road Subsidy	18	-
Indigenous Trail	45	-
<b>Total non-recurrent capital grants</b>	<b>1,767</b>	<b>5,068</b>
<b>Total capital grants</b>	<b>3,245</b>	<b>9,796</b>
<b>(c) Unspent grants received on condition that they be spent in a specific manner</b>		
<b>Operating</b>		
Balance at start of year	-	-
Received during the financial year and remained unspent at balance date	-	-
Received in prior years and spent during the financial year	-	-
Balance at year end	-	-
<b>Capital</b>		
Balance at start of year	554	466
Received during the financial year and remained unspent at balance date	229	231
Received in prior years and spent during the financial year	(520)	(143)
Balance at year end	<b>263</b>	<b>554</b>

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

### 3.5 Contributions

Monetary	199	112
<b>Total contributions</b>	<b>199</b>	<b>112</b>

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

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

Proceeds of sale	232	150
Written down value of assets disposed	(79)	(75)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>153</b>	<b>75</b>

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

	2020	2019
	\$'000	\$'000
<b>3.7 Other income</b>		
Reimbursements - Vic Roads	1,368	1,562
Quarry operations	445	407
Interest	221	256
Reimbursements - other	98	121
Insurance refunds	204	37
Rent	69	68
Fuel tax refund	47	47
Other	33	285
<b>Total other income</b>	<b>2,485</b>	<b>2,784</b>

Interest is recognised as it is earned.

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

**Note 4 The cost of delivering services**

**4.1 (a) Employee costs**

Wages and salaries	7,225	6,249
WorkCover	159	144
Superannuation	704	638
Fringe benefits tax	64	76
<b>Total employee costs</b>	<b>8,152</b>	<b>7,107</b>

**(b) Superannuation**

Council made contributions to the following funds:

**Defined benefit fund**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	64	64
	<b>64</b>	<b>64</b>

**Accumulation funds**

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	310	279
Employer contributions - other funds	322	304
	<b>632</b>	<b>583</b>

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

**4.2 Materials and services**

Contract payments	3,447	3,562
Plant and equipment maintenance	935	864
Utilities	360	371
Office administration	75	56
Information technology	141	143
Insurance	297	346
Consultants	251	191
Other materials and services	1,388	1,492
<b>Total materials and services</b>	<b>6,894</b>	<b>7,025</b>

**4.3 Depreciation**

Property	714	775
Plant and equipment	783	839
Infrastructure	6,057	6,050
<b>Total depreciation</b>	<b>7,554</b>	<b>7,664</b>

Refer to note 5.2( c ), 5.7 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Bad and doubtful debts	2020	2019
	\$'000	\$'000
Other debtors	2	17
<b>Total bad and doubtful debts</b>	<b>2</b>	<b>17</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	69	53
New provisions recognised during the year	1	16
Balance at end of year	<b>70</b>	<b>69</b>

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

**4.5 Other expenses**

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	29	40
Auditors' remuneration - Internal	20	42
Councillors' allowances	129	150
Operating lease rentals	19	23
Assets written-off / impaired	-	1,039
Others	52	48
<b>Total other expenses</b>	<b>249</b>	<b>1,342</b>

**Note 5 Our financial position**

**5.1 Financial assets**

**(a) Cash and cash equivalents**

Cash on hand	1	1
Cash at bank	439	280
Term deposits	14,234	14,837
<b>Total cash and cash equivalents</b>	<b>14,674</b>	<b>15,118</b>
<b>Total financial assets</b>	<b>14,674</b>	<b>15,118</b>

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

- Trust funds and deposits (Note 5.3)	232	32
- Unspent Grants (Note 3.4)	263	554
- Cemetery Trust funds (Note 6.4)	196	169
Total restricted funds	<b>691</b>	<b>755</b>
Total unrestricted cash and cash equivalents	<b>13,983</b>	<b>14,363</b>

**Intended allocations**

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

- Cash held to fund carried forward capital works	828	2,663
- Cash held to fund long service leave provision	2,079	1,727
- Other discretionary reserves	1,501	1,322
Total funds subject to intended allocations	<b>4,408</b>	<b>5,712</b>

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

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

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

	2020 \$'000	2019 \$'000
<b>(c) Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	323	202
Provision for doubtful debts - rates	(69)	(46)
Sundry debtors	62	1,958
Provision for doubtful debts - other debtors	(1)	(23)
Total current trade and other receivables	<u>315</u>	<u>2,091</u>
<b>Non-current</b>		
<i>Non statutory receivables</i>		
Loans and advances to community organisations	160	167
Total non-current trade and other receivables	<u>160</u>	<u>167</u>
<b>Total trade and other receivables</b>	<u><b>475</b></u>	<u><b>2,258</b></u>

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

**(d) Ageing of Receivables**

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

Current (not yet due)	28	1,603
Past due by up to 30 days	1	332
Past due between 31 and 180 days	32	-
Total trade and other receivables	<u>61</u>	<u>1,935</u>

**(e) Ageing of individually impaired Receivables**

At balance date, other debtors representing financial assets with a nominal value of \$62,000 (2019: \$1,958,300) were impaired. The amount of the provision raised against these debtors was \$1,000 (2019: \$23,097). 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)	-	1
Past due by up to 30 days	-	9
Past due between 31 and 180 days	-	1
Total trade & other receivables	<u>-</u>	<u>11</u>

5.2 Non-financial assets	2020	2019
(a) Inventories	\$'000	\$'000
Inventories held for distribution	155	263
<b>Total inventories</b>	<b>155</b>	<b>263</b>

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

**(b) Other assets**

Prepayments	287	249
Accrued income	69	38
Other	-	-
<b>Total other assets</b>	<b>356</b>	<b>287</b>

**5.3 Payables**

**(a) Trade and other payables**

Trade payables	605	1,058
GST creditor	5	-
Accrued expenses	10	105
Accrued salaries	98	130
<b>Total trade and other payables</b>	<b>718</b>	<b>1,293</b>

**(b) Trust funds and deposits**

Refundable deposits	131	3
Fire services levy	80	7
Retention amounts	-	-
Other refundable deposits		
Refundable Trust Kaniva Rotary Club	15	15
Refundable Trust Newlands Lake Restoration	3	3
Refundable Trust Lake Wallace Committee proceeds	2	2
Refundable Trust Edenhope Skateboard Park	1	2
<b>Total trust funds and deposits</b>	<b>232</b>	<b>32</b>

**(c) Unearned income**

Grants received in advance - operating	-	-
Grants received in advance - capital	263	554
Other	-	-
<b>Total unearned income</b>	<b>263</b>	<b>554</b>

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

**Purpose and nature of items**

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.

5.4 Provisions

	Annual Leave	Long Service Leave	Rostered Days Off	Time in Lieu	Total
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
<b>2020</b>					
Balance at beginning of the financial year	890	1,727	50	38	2,705
Additional provisions	525	(41)	210	109	803
Amounts used	(435)	(130)	(189)	(91)	(845)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	19	523	-	-	542
Balance at the end of the financial year	<b>999</b>	<b>2,079</b>	<b>71</b>	<b>56</b>	<b>3,205</b>
<b>2019</b>					
Balance at beginning of the financial year	867	1,457	58	40	2,422
Additional provisions	480	117	207	78	882
Amounts used	(472)	(69)	(215)	(80)	(836)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	15	222	-	-	237
Balance at the end of the financial year	<b>890</b>	<b>1,727</b>	<b>50</b>	<b>38</b>	<b>2,705</b>



	2020	2019
	\$'000	\$'000
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	619	617
Long service leave	207	164
Rostered Days Off	71	50
Time in Lieu	57	38
	<b>954</b>	<b>869</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	381	273
Long service leave	1,416	1,257
	<b>1,797</b>	<b>1,530</b>
Total current employee provisions	<b>2,751</b>	<b>2,399</b>
<b>Non-current</b>		
Long service leave	219	306
Total non-current employee provisions	<b>219</b>	<b>306</b>
Aggregate carrying amount of employee provisions:		
Current	2,751	2,399
Non-current	219	306
Total aggregate carrying amount of employee provisions	<b>2,970</b>	<b>2,705</b>

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

*Wages and salaries and annual leave*

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

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

*Long service leave*

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

Key assumptions:

- index rate	3.38%	2.10%
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## 5.5 Financing arrangements

The Council has the following funding arrangements in place as at 30 June 2020.

Bank overdraft	2,000	2,000
Credit card facilities	16	16
Total facilities	<b>2,016</b>	<b>2,016</b>
Used facilities	-	-
Unused facilities	<b>2,016</b>	<b>2,016</b>

### 5.6 Commitments

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

2020	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Caravan park caretaker	19	9	-	-	28
Cleaning of Council buildings	81	81	-	-	162
Consultancies	219	122	-	-	341
Garbage collection	70	-	-	-	70
Meals for delivery	38	-	-	-	38
Recycling	151	-	-	-	151
Street cleaning services	24	24	-	-	48
Swimming pool management	160	162	-	-	322
<b>Total</b>	<b>762</b>	<b>398</b>	<b>-</b>	<b>-</b>	<b>1,160</b>

  

2019	Not later than 1	Later than 1	Later than 2	Later than 5	Total
	year	year and not later than 2 years	years and not later than 5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Operating</b>					
Caravan park caretaker	19	9	-	-	28
Cleaning of Council buildings	65	-	-	-	65
Consultancies	214	130	-	-	344
Garbage collection	169	70	-	-	239
Meals for delivery	37	37	37	-	111
Recycling	101	101	-	-	202
Street cleaning services	93	-	-	-	93
Swimming pool management	82	8	-	-	90
<b>Total</b>	<b>780</b>	<b>355</b>	<b>37</b>	<b>-</b>	<b>1,172</b>

### 5.7 Leases

#### Policy applicable before 1 July 2019

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

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

All incentives for the agreement of a new or renewed operating lease were recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives were received to enter into operating leases, the aggregate cost of incentives were recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis was more representative of the time pattern in which economic benefits from the leased asset were consumed.

**Policy applicable after 1 July 2019**

Council has applied AASB 16 Leases using a modified retrospective approach with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated surplus at 1 July 2019, with no restatement of comparative information. The council applied the approach consistently to all leases in which it is a lessee.

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

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

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

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

As a lessee, Council recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentives received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, an appropriate incremental borrowing rate. Generally, Council uses an appropriate incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that Council is reasonably certain to exercise, lease payments in an optional renewal period if Council is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless Council is reasonably certain not to terminate early.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

**Short-term and low value leases**

Council has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets (individual assets worth less than existing capitalisation thresholds for a like asset up to a maximum of AUD\$10,000), including IT equipment. Council recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

	2020 \$'000
<b>Expenses relating to:</b>	
Short-term leases	13
Leases of low value assets	-
<b>Total</b>	<b>13</b>
Variable lease payments (not included in measurement of lease liabilities)	-

**Non-cancellable lease commitments - Short-term and low-value leases**

Commitments for minimum lease payments for short-term and low-value leases are payable as follows:

Payable:

Within one year	13
Later than one year but not later than five years	-
<b>Total lease commitments</b>	<b>13</b>

i. Leases classified as operating leases under AASB 117 Leases

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at Council's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. Council applied this approach to all applicable leases.

Council used the following practical expedients when applying AASB 16 Leases to leases previously classified as operating leases under AASB 117 Leases .

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of AASB 137 Provisions, Contingent Liabilities and Contingent Assets onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases previously classified as finance leases

For leases that were classified as finance leases under AASB 117 Leases , the carrying amount of the right-of-use asset and the lease liability at 1 July 2019 are determined at the carrying amount of the lease asset and lease liability under AASB 117 Leases immediately before that date.

Council is not required to make any adjustments on transition to AASB 16 Leases for leases in which it acts as a lessor, except for a sub-lease. Council accounted for its leases in accordance with AASB 16 Leases from the date of initial application.

**Impact on financial statements**

There was no impact to Council on transition to AASB 16 Leases at balance date.

<b>Note 6 Assets we manage</b>	<b>2020</b>	<b>2019</b>
<b>6.1 Non current assets classified as held for sale</b>	<b>\$'000</b>	<b>\$'000</b>
Cost of acquisition	-	-
Fair value of land held for resale	-	14
<b>Total non current assets classified as held for sale</b>	<b>-</b>	<b>14</b>

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

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2019	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	At Fair Value 30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Property	17,802	233	-	(2,074)	(714)	-	-	-	15,247
Plant and equipment	2,954	1,076	-	-	(783)	(79)	-	-	3,168
Infrastructure	172,606	5,847	-	-	(6,057)	-	-	471	172,867
Work in progress	1,850	2,303	-	-	-	-	-	(471)	3,682
	195,212	9,459	-	(2,074)	(7,554)	(79)	-	-	194,964

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Transfers	Closing WIP
	\$'000	\$'000	\$'000	\$'000	\$'000
Property	1,290	1,718	-	(1)	3,007
Plant and equipment	27	-	-	-	27
Infrastructure	533	585	-	(471)	647
Total	1,850	2,303	-	(472)	3,681

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

(a) Property

	Land - specialised	Land - non specialised	Land improvements	Total Land & Land Improvements	Heritage buildings	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	953	66	3,513	4,532	59	31,442	1,214	32,715	1,290	38,537
Accumulated depreciation at 1 July 2019	-	-	(1,311)	(1,311)	(49)	(17,468)	(617)	(18,134)	-	(19,445)
	953	66	2,202	3,221	10	13,974	597	14,581	1,290	19,092
<b>Movements in fair value</b>										
Additions	-	-	51	51	-	182	-	182	1,718	1,951
Revaluation	(177)	22	-	(155)	52	1,725	51	1,828	-	1,673
Transfers	-	-	-	-	-	1	-	1	(1)	-
	(177)	22	51	(104)	52	1,908	51	2,011	1,717	3,624
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation	-	-	(158)	(158)	(1)	(534)	(21)	(556)	-	(714)
Revaluation	-	-	-	-	(53)	(3,626)	(68)	(3,747)	-	(3,747)
	-	-	(158)	(158)	(54)	(4,160)	(89)	(4,303)	-	(4,461)
At fair value 30 June 2020	776	88	3,564	4,428	111	33,350	1,265	34,726	3,007	42,161
Accumulated depreciation at 30 June 2020	-	-	(1,469)	(1,469)	(103)	(21,628)	(706)	(22,437)	-	(23,906)
	776	88	2,095	2,959	8	11,722	559	12,289	3,007	18,255

(b) Plant and Equipment

	Motor vehicles	Plant & Equipment	Fixtures fittings and furniture	Work In Progress	Total plant and equipment
	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	651	8,017	1,407	27	10,102
Accumulated depreciation at 1 July 2019	(248)	(5,545)	(1,328)	-	(7,121)
	403	2,472	79	27	2,981
<b>Movements in fair value</b>					
Additions	123	930	23	-	1,076
Disposal	(121)	(503)	-	-	(624)
	2	427	23	-	452
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(115)	(639)	(29)	-	(783)
Accumulated depreciation of disposals	66	479	-	-	545
	(49)	(160)	(29)	-	(238)
At fair value 30 June 2020	653	8,444	1,430	27	10,554
Accumulated depreciation at 30 June 2020	(297)	(5,705)	(1,357)	-	(7,359)
	356	2,739	73	27	3,195

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Work In Progress	Total Infrastructure
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At fair value 1 July 2019	240,420	2,972	4,079	15,760	533	263,764
Accumulated depreciation at 1 July 2019	(78,239)	(1,412)	(1,472)	(9,502)	-	(90,625)
	162,181	1,560	2,607	6,258	533	173,139
<b>Movements in fair value</b>						
Additions	5,550	228	12	57	585	6,432
Transfers	470	-	1	-	(471)	-
	6,020	228	13	57	114	6,432
<b>Movements in accumulated depreciation</b>						
Depreciation and amortisation	(5,722)	(62)	(82)	(191)	-	(6,057)
	(5,722)	(62)	(82)	(191)	-	(6,057)
At fair value 30 June 2020	246,440	3,200	4,092	15,817	647	270,196
Accumulated depreciation at 30 June 2020	(83,961)	(1,474)	(1,554)	(9,693)	-	(96,682)
	162,479	1,726	2,538	6,124	647	173,514

*Acquisition*

The purchase method of accounting is used for all acquisitions of assets, being the fair value of assets provided as consideration at the time. Where assets are constructed by Council, cost includes all materials used in construction, direct labour, borrowing costs incurred during construction, and an appropriate share of directly attributable variable and fixed overheads.

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

	Depreciation Period	Threshold Limit \$'000
<i>Asset recognition thresholds and depreciation periods</i>		
Land & land improvements		
land	-	5
land improvements	6 - 50 years	5
Buildings		
buildings	30 - 120 years	5
building and leasehold improvements	30 - 120 years	5
Plant and Equipment		
plant, machinery and equipment	3 - 40 years	1
fixtures, fittings and furniture	3 - 10 years	1
computers and telecommunications	3 - 10 years	1
Infrastructure		
road pavements and seals	17 - 75 years	5
road substructure	75 years	5
road formation and earthworks	75 years	5
road kerb, channel and minor culverts	50 - 70 years	5
bridges deck	35 - 80 years	5
bridges substructure	35 - 80 years	5
footpaths and cycleways	25 - 50 years	5
drainage	70 - 80 years	5
Intangible assets		

*Land under roads*

Council recognises land under roads it controls at fair value.

*Depreciation and amortisation*

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

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

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

*Repairs and maintenance*

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



**Valuation of land and buildings**

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

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

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

The land and buildings were subject to full independent valuation in August 2020 by accredited independent valuers. Council does not believe there has been a material movement in fair value since the 30 June 2020 valuation date.

The valuation was performed during the COVID-19 pandemic, with limited market activity and low sales volumes. While the valuer's independent valuation report did not indicate impairment of land and buildings, it does present estimation uncertainty regarding the valuation of land and buildings by acknowledging that past cycles indicate a lag for property markets to react to economic events, and that the extent of any decline in value is presently uncertain, and may depend on the length of the COVID-19 pandemic. Also, there is not yet any comparable market evidence available to determine what, if any, impact the current COVID-19 pandemic may have on the value or marketability of the subject property, particularly in the short and medium terms.

The fair value assessed may change significantly and unexpectedly over a relatively short period of time (including as a result of factors that the valuer could not reasonably have been aware of as at the date of valuation). Refer to Significant accounting policies under Overview section and Note 8.4 for further information on fair value measurement.

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

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Land	-	439	-	Jun-20
Specialised land	-	-	425	Jun-20
Land Improvements	-	-	2,095	Jun-20
Heritage Buildings	-	-	8	Jun-20
Buildings	-	-	12,280	Jun-20
Total	-	439	14,808	

**Valuation of infrastructure**

Valuation of infrastructure assets has been undertaken by Mr Hayden Baird, Local Government Engineer and Mr Peter Maloney of Maloney Asset Management Systems.

The date of the current valuation is detailed in the following table. An index based revaluation was conducted in the prior year, this valuation was based on unit rate and useful life data analysis, a full revaluation of these assets will be conducted in 2020/21.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2020 are as follows:

	Level 1	Level2	Level 3	Date of Valuation
Roads	-	-	162,479	Jun-19
Bridges	-	-	1,726	Jun-19
Footpaths and cycleways	-	-	2,538	Jun-19
Drainage	-	-	6,124	Jun-19
Total	-	-	172,867	

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

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 30% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently Council records no land under roads.

**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 \$350 to \$1,700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 40 years to 60 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 1 years to 100 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

	2020	2019
	\$'000	\$'000
<b>Reconciliation of specialised land</b>		
Municipal Office Land	90	103
Waste Disposal Land	-	116
Community Services Land	73	84
Infrastructure and Works Operations Land	113	325
Recreational and Sundry Council Land	149	325
<b>Total specialised land</b>	<b>425</b>	<b>953</b>

	2020	2019
	\$'000	\$'000
<b>6.3 Investments in associates, joint arrangements and subsidiaries</b>		
<b>(a) Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
- Wimmera Regional Library Corporation	371	330
- Wimmera Development Association	76	73
<b>Wimmera Regional Library Corporation</b>		
<i>Background</i>		
Council's investment in the Wimmera Regional Library Corporation is based on the equity method of accounting.		
Council's interest in equity	27.23%	27.33%
<b>Fair value of Council's investment in Wimmera Regional Library Corporation</b>	<b>371</b>	<b>330</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	(94)	153
Reported surplus/(deficit) for year	129	(422)
Transfers (to) from reserves	(2)	(10)
Change in equity share apportionment	197	185
Council's share of accumulated surplus/(deficit) at end of year	<b>230</b>	<b>(94)</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	457	202
Transfers (to) from reserves	2	10
Change in equity share apportionment	(318)	245
Council's share of reserves at end of year	<b>141</b>	<b>457</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	362	354
Share of surplus/(deficit) for year	129	(422)
Change in equity share apportionment	(120)	430
Carrying value of investment at end of year	<b>371</b>	<b>362</b>
<b>Wimmera Development Association</b>		
Council's investment in the Wimmera Development Association is based on the equity method of accounting.		
Council's interest in equity	7.76%	7.76%
<b>Fair value of Council's investment in Wimmera Regional Library Corporation</b>	<b>76</b>	<b>73</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	39	54
Reported surplus/(deficit) for year	3	(3)
Transfers (to) from reserves	(5)	(12)
Council's share of accumulated surplus/(deficit) at end of year	<b>37</b>	<b>39</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	35	23
Transfers (to) from reserves	5	12
Council's share of reserves at end of year	<b>40</b>	<b>35</b>
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	74	77
Share of surplus/(deficit) for year	3	(3)
Carrying value of investment at end of year	<b>77</b>	<b>74</b>

Associates are all entities over which Council has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

#### Committees of management

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

The Council is the Committee of Management for the Edenhope, Goroke and Kaniva Cemeteries. The assets and liabilities of the Committees have been included in Council's financial statement and are summarised below:

	2020 \$'000	2019 \$'000
<b>(b) Edenhope Cemetery</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	55	44
<b>Total Current assets</b>	<u>55</u>	<u>44</u>
<b>Total Non-current assets</b>	<u>-</u>	<u>-</u>
<b>Net Assets</b>	<u>55</u>	<u>44</u>
<b>Income</b>		
Fees and Charges	33	25
<b>Total Income</b>	<u>33</u>	<u>25</u>
<b>Expenses</b>		
Other Materials & Services	22	26
<b>Total Expenses</b>	<u>22</u>	<u>26</u>
<b>Surplus(Loss) for period</b>	<u>11</u>	<u>(1)</u>
<b>(c) Goroke Cemetery</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	15	23
<b>Total Current assets</b>	<u>15</u>	<u>23</u>
<b>Net Assets</b>	<u>15</u>	<u>23</u>
<b>Income</b>		
Fees and Charges	9	17
<b>Total Income</b>	<u>9</u>	<u>17</u>
<b>Expenses</b>		
Other Materials & Services	17	8
<b>Total Expenses</b>	<u>17</u>	<u>8</u>
<b>Surplus(Loss) for period</b>	<u>(8)</u>	<u>9</u>
<b>(d) Kaniva Cemetery</b>		
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	126	102
<b>Total Current assets</b>	<u>126</u>	<u>102</u>
<b>Net Assets</b>	<u>126</u>	<u>102</u>
<b>Income</b>		
Fees and Charges	29	37
<b>Total Income</b>	<u>29</u>	<u>37</u>
<b>Expenses</b>		
Other Materials & Services	20	22
<b>Total Expenses</b>	<u>20</u>	<u>22</u>
<b>Surplus(Loss) for period</b>	<u>9</u>	<u>15</u>

	2020 No.	2019 No.
<b>Note 7 People and relationships</b>		
<b>7.1 Council and key management remuneration</b>		
<b>(a) Related Parties</b>		
<i>Parent entity</i>		
West Wimmera Shire Council is the parent entity.		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in Note 6.3.		
<b>(b) Key Management Personnel</b>		
Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:		
<b>Councillors</b>		
Mayor Bruce Meyer		
Councillor Jodie Pretlove		
Councillor Trevor Domaschenz		
Councillor Richard Hicks		
Councillor Tom Houlihan		
Chief Executive Officer David Leahy		
Director - Corporate & Community Services Ashley Roberts		
Director - Infrastructure Development & Works Mark Marziale		
<b>Total Number of Councillors</b>	5	5
<b>Total of Chief Executive Officer and other Key Management Personnel</b>	3	3
<b>Total Number of Key Management Personnel</b>	8	8
<b>(c) Remuneration of Key Management Personnel</b>	<b>2020</b>	<b>2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	629	614
Long-term benefits	83	(10)
Post employment benefits	-	47
<b>Total</b>	712	651
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	<b>2020</b>	<b>2019</b>
	<b>No.</b>	<b>No.</b>
\$10,000 - \$19,999	1	-
\$20,000 - \$29,999	2	4
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	-
\$150,000 - \$159,999	-	2
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	2	-
\$200,000 - \$229,999	1	-
	8	8
<b>(d) Senior Officer Remuneration</b>		
Council has no officers that meet the requirements of a Senior Officer in the current or previous financial year.		

**7.2 Related party disclosure**

**(a) Transactions with related parties**

There were no transactions during the year between Council and related parties.

**(b) Outstanding balances with related parties**

There are no commitments to or from related parties at balance date.

**(c) Loans to/from related parties**

There were no loans during the year between Council and related parties.

**(d) Commitments to/from related parties**

There were no commitments during the year between Council and related parties.

**Note 8 Managing uncertainties**

**8.1 Contingent assets and liabilities**

**(a) Contingent assets**

Council has no contingent assets identified at balance date.

**(b) Contingent liabilities**

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

**Superannuation**

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

*Future superannuation contributions*

In addition to the disclosed contributions, West Wimmera Shire Council has paid unfunded liability payments to Vision Super totalling \$0.00 (2018/19 \$0.00). There were no contributions outstanding and no loans issued from or to the above schemes as at 30 June 2020. The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 are \$63,518.

**Landfill**

Council does not operate any landfill site within its boundaries. There are no former licenced landfill sites within the shire.

**Insurance claims**

Council has had no major insurance claims that could have a material impact on future operations.

**Legal matters**

Council may be subject to a compensation claim by a shire resident who was prosecuted by the Commonwealth Environment Department over illegal clearing of native vegetation. At this stage Council is unable to assign any cost to this potentiality.

Council may be subject to legal action regarding an alleged workplace injury by a former employee of West Wimmera Shire Council. At this stage Council is unable to assign any cost to this potentiality.

**Building cladding**

Council has no known exposure to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

**Liability Mutual Insurance**

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

**MAV Workcare**

Council is a participant of the MAV Liability Mutual Insurance (LMI) Scheme. The LMI scheme provides public liability and professional indemnity insurance cover. The LMI scheme states that each participant will remain liable to make further contributions to the scheme in respect of any insurance year in which it was a participant to the extent of its participant's share of any shortfall in the provision set aside in respect of that insurance year, and such liability will continue whether or not the participant remains a participant in future insurance years. Council has no knowledge of any shortfall and has not been called to make a contribution as at 30 June 2020.

**(c) Guarantees for loans to other entities**

Council has made no guarantees for loans to other entities.

## 8.2 Change in accounting standards

The following new AASB's have been issued that are not mandatory for the 30 June 2020 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting

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

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

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

Based on the Council's current assessment, there is expected to be no material impact on the transactions and balances recognised in the financial statements.

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

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

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

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

## 8.3 Financial instruments

### (a) Objectives and policies

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

### (b) Market risk

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

#### **Interest rate risk**

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

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

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

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

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



**(c) Credit risk**

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. Particularly significant areas of credit risk exist in relation to outstanding fees and fines as well as loans and receivables from sporting clubs and associations. To help manage this risk:

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

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

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

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

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

**(d) Liquidity risk**

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

To help reduce these risks Council:

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

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

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

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

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

**(e) Sensitivity disclosure analysis**

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.11%.

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

#### 8.4 Fair value measurement

##### *Fair value hierarchy*

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

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

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

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

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

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

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

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

##### *Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis ranging from 3 to 5 years. The valuation is performed either by experienced council officers or independent experts.

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

##### *Impairment of assets*

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

#### 8.5 Events occurring after balance date

There have been no significant events occurring after the balance date which may affect the Council's operations or the results of those operations, except for noting that the COVID-19 pandemic is ongoing and it is not practicable to estimate the potential impact after the reporting date.

Note 9 Other matters

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$'000	\$'000	\$'000
<b>9.1 Reserves</b>			
<b>(a) Asset revaluation reserves</b>			
<b>2020</b>			
<b>Property</b>			
Land	724	(155)	569
Land and land improvements	198	-	198
Buildings	9,485	(1,919)	7,566
	10,407	(2,074)	8,333
<b>Infrastructure</b>			
Roads	141,636	-	141,636
Footpaths and cycleways	5,273	-	5,273
Drainage	4,470	-	4,470
	151,379	-	151,379
<b>Total asset revaluation reserves</b>	<b>161,786</b>	<b>(2,074)</b>	<b>159,712</b>
<b>2019</b>			
<b>Property</b>			
Land	724	-	724
Land and land improvements	198	-	198
Buildings	9,485	-	9,485
	10,407	-	10,407
<b>Infrastructure</b>			
Roads	169,429	(27,793)	141,636
Bridges	576	(576)	-
Footpaths and cycleways	5,809	(536)	5,273
Drainage	3,909	561	4,470
	179,723	(28,344)	151,379
<b>Total asset revaluation reserves</b>	<b>190,130</b>	<b>(28,344)</b>	<b>161,786</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$'000	\$'000	\$'000	\$'000
<b>(b) Other reserves</b>				
<b>2020</b>				
Plant replacement	534	82	-	616
Quarry restoration	113	3	-	116
Capital improvement	301	7	-	308
Rates revaluation	334	77	(12)	399
Elections	40	22	-	62
Kindergarten operation	-	-	-	-
Carried Forward project Reserve	2,663	894	(2,663)	894
<b>Total Other reserves</b>	<b>3,985</b>	<b>1,085</b>	<b>(2,675)</b>	<b>2,395</b>
<b>2019</b>				
Plant replacement	456	78	-	534
Crabtree trust	17	-	(17)	-
Quarry restoration	110	3	-	113
Capital improvement	294	7	-	301
Rates revaluation	235	108	(9)	334
Elections	20	20	-	40
Kindergarten operation	-	-	-	-
Carried Forward project Reserve	3,246	2,663	(3,246)	2,663
<b>Total Other reserves</b>	<b>4,378</b>	<b>2,879</b>	<b>(3,272)</b>	<b>3,985</b>

Description of nature and purpose of each of Council's discretionary reserves are:

The Plant Replacement is funded by the Plant Operating Surplus and is maintained to replace all major items of Plant and Equipment  
Crabtree Trust Reserve was bequeathed to Council to provide funds for the upgrade of facilities at the Lake Charlegrark Reserve.

The Quarry Restoration Reserve was generated via a charge against the sale price of quarry stocks that was retained to restore the quarry sites to natural levels once quarrying has ceased. There have been no further charges (other than nominal interest) generated for this reserve since the 1997/98 financial year as the retained reserve is considered adequate to undertake restoration  
Capital Improvement Reserve is generated via transfers from Surplus Funds from time to time as determined by Council for use on any significant capital infrastructure projects.

Rates Revaluation Reserve provides funds to undertake each property revaluation for rating purposes every two years.

The Elections Reserve provides funds to undertake Council Elections every 4th year.

The Kindergarten Operations Reserve provides that unspent budgeted funds from each year are brought forward and made available for kindergarten spending in future years. In this way negative effects of falling enrolments can be minimised.

The Carried Forward Projects Reserve provides for all budgeted amounts which have not been spent as at 30 June and which are required to be carried forward to the next financial year and are not budgeted in the next financial year.

	2020	2019
	\$'000	\$'000
<b>9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)</b>		
Surplus/(deficit) for the year	(212)	5,972
Depreciation	7,554	7,664
(Profit)/loss on disposal of property, infrastructure, plant and equipment	(153)	(75)
Finance Costs	-	-
Asset Write Downs	-	1,039
Share of net (profit)/loss of associates	(132)	425
<i>Change in assets and liabilities</i>	-	(1,494)
(Increase)/decrease in trade and other receivables	1,783	(222)
(Increase)/decrease in other income	(69)	(1,114)
Increase/(decrease) in trade and other payables	(575)	
Increase/(decrease) in other liabilities	-	-
(Increase)/decrease in inventories	122	(11)
Increase/(decrease) in provisions	264	283
Net cash provided by/(used in) operating activities	<b>8,582</b>	<b>12,467</b>

### 9.3 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in 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 2020, this was 9.5% as required under Superannuation Guarantee (SG) legislation).

#### Defined Benefit

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

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

#### Funding arrangements

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

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

As at 30 June 2020, the vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 104.6%

As at 30 June 2019, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 107.1%. The financial assumptions used to calculate the VBIs were:

Net investment returns 6.0% pa

Salary information 3.5% pa

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

#### Employer contributions

##### Regular contributions

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

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

#### Funding calls

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

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

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

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

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

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

#### The 2019 interim actuarial investigation surplus amounts

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

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

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

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2019.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2019.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2019.

#### The 2020 triennial actuarial investigation

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

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

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2020 are detailed below:

Scheme	Type of Scheme	Rate	2020 \$,000	2019 \$,000
Vision super	Defined benefit	9.50%	64	64
Vision super	Accumulation fund	9.50%	310	279
Other super funds	Accumulation fund	9.50%	322	304

In addition to the above contributions, West Wimmera Shire Council has paid unfunded liability payments to Vision Super totalling \$0.00 (2018/19 \$0.00).

There were \$0.00 contributions outstanding and \$0.00 loans issued from or to the above schemes as at 30 June 2020.

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2021 is \$65,695.58.

**10 Change in accounting policy**

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

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

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

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

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

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

**b) AASB 16 Leases**

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

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

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

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

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