

# Melton City Council

ANNUAL FINANCIAL REPORT  
for the year ended 30 June 2020

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A Thriving Community Where  
Everyone Belongs



## Melton City Council

### Annual Financial Report

for the year ended 30 June 2020

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Melton City Council.
  - (ii) All figures presented in these financial statements are presented in Australian Currency.
  - (ii) These financial statements were authorised for issue by the Council on 14/09/20. Council has the power to amend and reissue these financial statements.
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## Melton City Council

### Annual Financial Report

for the year ended 30 June 2020

### 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.

*Sam Rumoro CPA*

**Principal Accounting Officer**

Date : 14 September 2020

232 High Street, Melton VIC

In our opinion the accompanying financial statements present fairly the financial transactions of Melton City Council (the 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 which would render any particulars in the financial statements to be misleading or inaccurate.

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

*Cr Lara Carli*

**Councillor**

Date : 14 September 2020

232 High Street, Melton VIC

*Cr Steve Abboushi*

**Councillor**

Date : 14 September 2020

232 High Street, Melton VIC

*Kelvin Tori*

**Chief Executive Officer**

Date : 14 September 2020

232 High Street, Melton VIC

Melton City Council

Annual Financial Report

for the year ended 30 June 2020

Victorian Auditor-General's Office Report

Insert VAGO Report here

Melton City Council

Annual Financial Report  
for the year ended 30 June 2020

Victorian Auditor-General's Office Report

Insert VAGO Report here

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

## Understanding Council's Financial Report

### Introduction

Each year, individual local governments across Victoria are required to present a set of audited financial statements to their Council and community.

### What you will find in the Report

The financial report contains information on the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

The format of the financial report is standard across all Victorian Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by Local Government Victoria.

### About the Certification of the Financial Statements

The financial statements must be certified by senior staff and Councillors as "presenting fairly" the Council's financial results for the year as well as Council's financial position, and are required to be adopted by Council - ensuring both responsibility for and ownership of the financial statements.

### About the Primary Financial Statements

The financial statements incorporate five primary financial statements:

#### 1. Comprehensive Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

Includes other comprehensive income which primarily records changes in the fair values of Council's property, infrastructure, plant and equipment.

#### 2. Balance Sheet

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

#### 3. Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

#### 4. Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

#### 5. Statement of Capital Works

This statement details all amounts expended by Council on capital works.

### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements and together with the primary financial statements, make up the financial report.

### About the Auditor's Reports

Council's financial report is required to be audited by external auditors (that generally specialise in local government).

The auditor provides an audit report which gives an opinion on whether the financial report presents fairly the Council's financial performance and position.

### Who uses the Financial Report?

The financial report is a publicly available document and is used by (but not limited to) Councillors, residents and ratepayers, employees, suppliers, contractors, customers, Local Government Victoria, state and federal governments, and financiers including banks and other financial institutions.

The financial report must be presented at a Council meeting no later than one month after submitting the annual report to the Minister.

## Melton City Council

## Comprehensive Income Statement

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Income and Revenue</b>			
Rates and charges	3.1	124,314	114,169
Statutory fees and fines	3.2	10,448	7,892
User fees	3.3	9,652	12,166
Grants - operating	3.4(a)	30,004	31,028
Grants - capital	3.4(b)	8,659	10,655
Contributions - monetary	3.5	63,127	17,376
Contributions - non monetary	3.5	211,066	186,159
Net gain (loss) on disposal of property, infrastructure, plant and equipme	3.6	(11,114)	(2,405)
Fair value adjustments for investment property	6.3	(228)	223
Share of net profits (loss) of associates and joint ventures		-	(62)
Other income	3.7	9,620	5,504
<b>Total income and revenue</b>		<b>455,548</b>	<b>382,705</b>
<b>Expenses</b>			
Employee costs	4.1(a)	53,806	50,722
Materials and services	4.2	91,704	80,264
Depreciation	4.3	38,989	33,581
Amortisation - intangible assets	4.4	327	327
Amortisation - right of use assets	4.5	127	-
Bad and doubtful debts	4.6	437	778
Borrowing costs	4.7	632	839
Finance costs - leases	4.8	10	-
Other expenses	4.9	606	-
<b>Total expenses</b>		<b>186,638</b>	<b>166,511</b>
<b>Surplus for the year</b>		<b>268,910</b>	<b>216,194</b>
<b>Other comprehensive income:</b>			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	(7,200)	133,881
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(7,200)</b>	<b>133,881</b>
<b>Total other comprehensive income for the year</b>		<b>(7,200)</b>	<b>133,881</b>
<b>Total comprehensive result</b>		<b>261,710</b>	<b>350,075</b>

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

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## Melton City Council

## Balance Sheet

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	5.1(a)	146,866	117,549
Trade and other receivables	5.1(c)	43,867	27,663
Other financial assets	5.1(b)	104,334	62,402
Inventories	5.2(a)	41	41
Non-current assets classified as held for sale	6.1	1,618	1,636
Other assets	5.2(b)	14,432	30,609
<b>Total current assets</b>		<b>311,158</b>	<b>239,900</b>
<b>Non-current assets</b>			
Other financial assets	5.1(b)	-	306
Inventories	5.2(a)	67	119
Property, infrastructure, plant and equipment	6.2	2,509,570	2,303,763
Right-of-use assets	5.8(a)	613	-
Investment property	6.3	7,175	7,300
Intangible assets	5.2(c)	3,031	3,357
<b>Total non-current assets</b>		<b>2,520,456</b>	<b>2,314,845</b>
<b>TOTAL ASSETS</b>		<b>2,831,614</b>	<b>2,554,745</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	5.3(a)	35,942	25,917
Trust funds and deposits	5.3(b)	8,946	2,591
Provisions	5.5	11,846	10,546
Interest-bearing liabilities	5.4	2,306	2,962
Lease liabilities	5.8(b)	255	-
<b>Total current liabilities</b>		<b>59,295</b>	<b>42,016</b>
<b>Non-current liabilities</b>			
Trust funds and deposits	5.3(b)	9,245	5,177
Provisions	5.5	1,668	1,718
Interest-bearing liabilities	5.4	10,674	12,981
Lease liabilities	5.8(b)	384	-
<b>Total non-current liabilities</b>		<b>21,971</b>	<b>19,876</b>
<b>TOTAL LIABILITIES</b>		<b>81,266</b>	<b>61,892</b>
<b>Net assets</b>		<b>2,750,348</b>	<b>2,492,853</b>
<b>EQUITY</b>			
Accumulated Surplus		1,584,786	1,397,244
Reserves	9.1	1,165,562	1,095,609
<b>Total equity</b>		<b>2,750,348</b>	<b>2,492,853</b>

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

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## Melton City Council

## Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
<b>2020</b>					
<b>Balance at beginning of the financial year</b>		2,492,853	1,397,244	939,089	156,520
Impact of change in accounting policy - AASB 1058					
Income of Not-for-Profit Entities	10	(4,215)	(4,215)	-	-
<b>Adjusted Opening balance</b>		<b>2,488,638</b>	<b>1,393,029</b>	<b>939,089</b>	<b>156,520</b>
<b>Surplus for the year</b>		268,910	268,910	-	-
<b>Other comprehensive income</b>					
- Net asset revaluation increment/(decrement)	6.2	(7,200)	-	(7,200)	-
<b>Other comprehensive income</b>		<b>(7,200)</b>	<b>-</b>	<b>(7,200)</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>261,710</b>	<b>268,910</b>	<b>(7,200)</b>	<b>-</b>
Transfers to other reserves	9.1	-	(115,666)	-	115,666
Transfers from other reserves	9.1	-	38,513	-	(38,513)
<b>Balance at end of the financial year</b>		<b>2,750,348</b>	<b>1,584,786</b>	<b>931,889</b>	<b>233,673</b>
<b>2019</b>					
<b>Balance at beginning of the financial year</b>		2,142,778	1,254,270	805,208	83,300
<b>Surplus for the year</b>		216,194	216,194	-	-
<b>Other comprehensive income</b>					
- Net asset revaluation increment/(decrement)	6.2	133,881	-	133,881	-
<b>Other comprehensive Income</b>		<b>133,881</b>	<b>-</b>	<b>133,881</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>350,075</b>	<b>216,194</b>	<b>133,881</b>	<b>-</b>
Transfers to other reserves	9.1	-	(117,865)	-	117,865
Transfers from other reserves	9.1	-	44,645	-	(44,645)
<b>Balance at end of the financial year</b>		<b>2,492,853</b>	<b>1,397,244</b>	<b>939,089</b>	<b>156,520</b>

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

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## Melton City Council

## Statement of Cash Flows

for the year ended 30 June 2020

\$ '000	Notes	2020 Inflows/ (Outflows)	2019 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>			
Rates and charges		119,639	112,825
Statutory fees and fines		10,448	7,892
User fees		9,652	12,166
Grants - operating		30,004	31,028
Grants - capital		4,444	10,655
Contributions - monetary		63,127	17,376
Interest received		3,432	3,672
Trust funds and deposits taken		10,423	1,308
Other receipts		1,052	10,245
Net GST refund/(payment)		20,760	25,472
Employee costs		(53,318)	(43,640)
Materials and services		(88,595)	(71,998)
Other payments		(4,347)	(19,471)
<b>Net cash provided by/(used in) operating activities</b>	9.2	<b>126,721</b>	<b>97,530</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	6.2	(57,231)	(78,298)
Proceeds from sale of property, infrastructure, plant and equipment		5,694	21,483
Payments for investments		(42,160)	(52,340)
Proceeds from sale of investments		-	(62)
<b>Net cash provided by/(used in) investing activities</b>		<b>(93,697)</b>	<b>(109,217)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(632)	(839)
Repayment of borrowings		(2,963)	(2,830)
Interest paid - lease liability		(10)	-
Repayment of lease liabilities		(101)	-
<b>Net cash provided by/(used in) financing activities</b>		<b>(3,706)</b>	<b>(3,669)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>29,318</b>	<b>(15,356)</b>
Cash and cash equivalents at the beginning of the financial year		117,549	132,905
<b>Cash and cash equivalents at the end of the financial year</b>		<b>146,866</b>	<b>117,549</b>
Financing arrangements	5.6	2,000	2,000
Restrictions on cash assets	5.1	157,428	86,829

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

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## Melton City Council

## Statement of Capital Works

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Property</b>			
Land		-	3,837
<b>Total land</b>		<b>-</b>	<b>3,837</b>
Buildings		21,557	15,683
<b>Total buildings</b>		<b>21,557</b>	<b>15,683</b>
<b>Total property</b>		<b>21,557</b>	<b>19,520</b>
<b>Plant and equipment</b>			
Plant, machinery and equipment		991	1,032
Fixtures, fittings and furniture		-	54
Computers and telecommunications		698	315
Library books		478	423
<b>Total plant and equipment</b>		<b>2,167</b>	<b>1,824</b>
<b>Infrastructure</b>			
Roads		9,568	14,850
Bridges		166	4,303
Footpaths and cycleways		1,254	1,715
Drainage		579	241
Recreational, leisure and community facilities		15,281	28,007
Other infrastructure		275	2,096
<b>Total infrastructure</b>		<b>27,123</b>	<b>51,212</b>
<b>Total capital works expenditure</b>		<b>50,847</b>	<b>72,556</b>
<b>Represented by:</b>			
New asset expenditure		14,912	53,618
Asset renewal expenditure		8,300	9,540
Asset expansion expenditure		2,225	7,859
Asset upgrade expenditure		25,410	1,539
<b>Total capital works expenditure</b>		<b>50,847</b>	<b>72,556</b>

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

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## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Overview

##### Introduction

The Melton City Council was established by an Order of the Governor in Council on 15 December 1994 and is a body corporate.

The Council's main office is located at 232 High Street, Melton.

##### Statement of compliance

These financial statements are a general purpose financial report that consists of a Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Statement of Capital Works and Notes accompanying these financial statements. The general purpose financial report complies with 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.

Where possible, the estimated impact of the COVID-19 pandemic has been considered and factored in to any judgements and assumptions made, however the nature of the pandemic is highly unpredictable. 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:

- (i) the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2.)
- (ii) the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2.)
- (iii) the determination of employee provisions (refer to Note 5.5.)
- (iv) 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)
- (v) the determination, in accordance with *AASB 16 Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- (vi) other areas requiring judgements

Unless otherwise stated, all accounting policies are consistent with those applied in the prior year. Where appropriate, comparative figures have been amended to accord with current presentation (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.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

The budget figures detailed below are those adopted by Council on 24 June 2019. The budget was based on assumptions that were relevant at the time of adoption of the budget.

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

\$ '000	Budget 2020	Actual 2020	Variance 2020	Variance 2020	Ref
<b>1.1. Income, revenue and expenditure</b>				%	
<b>Income and revenue</b>					
Rates and charges	122,646	124,314	1,668	1.36%	1
Statutory fees and fines	7,513	10,448	2,935	39.07%	2
User fees	10,274	9,652	(622)	-6.05%	3
Grants - operating	29,811	30,004	193	0.65%	
Grants - capital	6,898	8,659	1,761	25.53%	4
Contributions - monetary	30,306	63,127	32,821	108.30%	5
Contributions - non monetary	100,588	211,066	110,478	109.83%	6
Net gain (loss) on disposal of property, infrastructure, plant and equipment	8,853	(11,114)	(19,967)	-225.54%	7
Other income	4,565	9,620	5,055	110.73%	8
<b>Total income and revenue</b>	<b>321,454</b>	<b>455,548</b>	<b>134,094</b>	<b>41.71%</b>	
<b>Expenses</b>					
Employee costs	62,659	53,806	(8,853)	-14.13%	9
Materials and services	72,873	91,704	18,831	25.84%	10
Depreciation	37,015	38,989	1,974	5.33%	11
Amortisation - intangible assets	-	327	327	0.00%	12
Amortisation - right of use assets	-	127	127	0.00%	13
Bad and doubtful debts	500	437	(63)	-12.60%	14
Borrowing costs	644	632	(12)	-1.86%	
Finance costs - leases	-	10	10	0.00%	15
Other expenses	7,666	606	(7,060)	-92.09%	16
<b>Total expenses</b>	<b>181,357</b>	<b>186,638</b>	<b>5,281</b>	<b>2.91%</b>	
<b>Surplus for the year</b>	<b>140,097</b>	<b>268,910</b>	<b>128,813</b>	<b>91.95%</b>	

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

## 1.1. Income and expenditure (continued)

## Explanation of material variations

## Item Explanation

1. Favourable variance for the year is primarily attributable to supplementary rates received being higher than budgeted. There was a higher number of properties released due to improving property market conditions in the first nine months of the financial year. In addition, Environmental Enhancement Rebates were lower than budgeted.
2. The favourable variance to budget for Statutory Fees & Fines was due to a number of factors, including:
  - Higher than expected infringements within the Community Safety area;
  - Building Sites Litter Enforcement fines;
  - Swimming Pool Regulations fee which was introduced during the year, and unbudgeted; and
  - Animal registrations being reported under Statutory Fees, but budgeted within User Fees.
3. The unfavourable variance to budget for User Fees and Charges is primarily due to rental and lease income, as well as a reduction in program fees due to COVID-19 restrictions during the last quarter of the 2019/20 financial year.
4. Favourable variance was mainly due to unbudgeted capital grants received during the year, including funding for:
  - Eynesbury Station Early Learning Centre
  - Brookside Pavilion Redevelopment
  - Kurunjang Neighbourhood House
  - Melton Recycling Centre Upgrade
  - Melton Secondary College Sportsfield

These favourable variances were partly offset by timing of receipt of various capital grants.
5. Monetary Contributions were higher than budgeted due to significant increase in the level of development activity during the year than was projected. There was an increase of 46% in the amount of land developed compared to the prior year, and a 61% increase in lots released.
6. Significant volumes of Non-Monetary Contributions were recognised during the year which is a reflection of the level of development activity which took place within the municipality.
7. Unbudgeted disposal of various building and infrastructure assets was the main reason for the unfavourable variance. Lower than anticipated sales within the Atherstone development due to a high level of cancellations during the year and the impact of COVID-19 also had a significant impact on the result.
8. The favourable variance in other income is attributable to:
  - Interest on investments exceeding budget due to higher levels of cash available. This was due to timing of completion of capital works and higher monetary contributions;
  - Reimbursement of Hume Drive duplication which was unbudgeted; and
  - Transfer Station income higher than budgeted due to savings in operational budget. This is offset by the unbudgeted payments to the contractor for operation of the Transfer Station noted below in Materials and Services.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

## 1.1. Income and expenditure (continued)

## Explanation of material variations

## Item Explanation

9. There is a favourable variance in employee costs to budget primarily due to difficulties filling a number of vacant positions within Council, which were either not filled or filled later than planned. This is partly offset by the costs of contract labour required to fill some of these vacant roles as reported under Materials and Services.
10. This unfavourable variance to budget is attributable to:
- Increased contract labour costs required to fill vacant budgeted positions (as noted above), as well as other temporary staff assignments;
  - Components of the capital works program that can't be capitalised;
  - Waste disposal costs not budgeted for (as noted above in Other Income); and
  - Utilities costs being budgeted under Other Expenses.
11. Depreciation for Kerb and Channel, Footpaths, Traffic Management Devices and Bridges exceeded budget estimates. Budget was prepared prior to end of 2018/19 financial year, therefore a number of estimates were required. The actual value of assets contributed, as well as the timing of completion of capital projects, has varied from estimates and impacts on the actual depreciation expense.
12. Amortisation for intangible assets was budgeted for under Depreciation, however the actual expense is recognised separately from Depreciation this year in line with classification in model financial statements.
13. Amortisation of Right of Use Assets is a new item due to the introduction of the new accounting standard *AASB16 Leases* which was not budgeted for as the impact was unknown.
14. Bad and Doubtful debts is favourable to budget due to various measures introduced to improve collection rates.
15. Finance costs for Leases is a new item due to the introduction of the new accounting standard *AASB16 Leases* which was not budgeted for as the impact was unknown.
16. The favourable variance to budget is mostly due to Utilities expenditure being reported under Materials and Services, while budgeted as Other Expenses. Partially offsetting this favourable variance are unbudgeted items such as the loss on sale of Regional Kitchen investment.



## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

\$ '000	Budget 2020	Actual 2020	Variance 2020	Variance %	Ref
<b>1.2. Capital works</b>					
<b>Property</b>					
Land	2,694	-	(2,694)	-100.00%	1
<b>Total land</b>	<b>2,694</b>	<b>-</b>	<b>(2,694)</b>	<b>-100.00%</b>	
Buildings	22,267	21,557	(710)	-3.19%	2
<b>Total buildings</b>	<b>22,267</b>	<b>21,557</b>	<b>(710)</b>	<b>-3.19%</b>	
<b>Total property</b>	<b>24,961</b>	<b>21,557</b>	<b>(3,404)</b>	<b>-13.64%</b>	
<b>Plant and equipment</b>					
Plant, machinery and equipment	1,664	991	(673)	-40.44%	3
Fixtures, fittings and furniture	157	-	(157)	-100.00%	4
Computers and telecommunications	535	698	163	30.47%	5
Library books	473	478	5	1.06%	
<b>Total plant and equipment</b>	<b>2,829</b>	<b>2,167</b>	<b>(662)</b>	<b>-23.40%</b>	
<b>Infrastructure</b>					
Roads	20,620	9,568	(11,052)	-53.60%	6
Bridges	123	166	43	34.96%	7
Footpaths and cycleways	1,094	1,254	160	14.63%	8
Drainage	210	579	369	175.71%	9
Recreational, leisure and community facilities	15,337	15,281	(56)	-0.37%	
Other infrastructure	1,540	275	(1,265)	-82.14%	10
<b>Total infrastructure</b>	<b>38,924</b>	<b>27,123</b>	<b>(11,801)</b>	<b>-30.32%</b>	
<b>Total capital works expenditure</b>	<b>66,714</b>	<b>50,847</b>	<b>(15,867)</b>	<b>-23.78%</b>	
<b>Represented by:</b>					
New asset expenditure	30,064	14,912	(15,152)	-50.40%	
Asset renewal expenditure	11,579	8,300	(3,279)	-28.32%	
Asset expansion expenditure	5,434	2,225	(3,209)	-59.05%	
Asset upgrade expenditure	19,637	25,410	5,773	29.40%	
<b>Total capital works expenditure</b>	<b>66,714</b>	<b>50,847</b>	<b>(15,867)</b>	<b>-23.78%</b>	

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

## 1.2. Capital works (continued)

## Explanation of material variations

## Item Explanation

1. Budgeted land purchases within development areas are now planned to take place during 2020/21 financial year. These include Shogaki Drive and Melton North PSP Active Open Space and Public Open Space.
2. Under expenditure compared to budget was due to the following:
  - Plumpton Aquatic Centre – Land development in the area has not progressed to a point where the identified land parcel is available for acquisition;
  - Brookside Pavilion redevelopment and Courthouse Café design and construction works are now planned to occur during the 2020/21 financial year;
  - Aintree Community Hub and Whitehouse Community Hub were completed under budget due to accelerated delivery by the contractor;
  - Melton Recycling Facility Improvement Stage 2 works are now planned to occur during 2020/21 financial year; and
  - Female friendly changeroom upgrade program is now expected to be completed in 2020/21 financial year.

Offsetting this was over expenditure on the following:

  - Fraser Rise Community Centre – works were incurred and carried forward from 2018/19 budget; and
  - Cobblebank Indoor Stadium construction works are ahead of what was scheduled to be completed during 2019/20 financial year.
3. Vehicle purchases were put on hold whilst an investigation into leasing options was undertaken.
4. Furniture and fittings purchased during the year were below the capitalisation threshold.
5. The variance to budget is due to the rapid deployment of mobility related initiatives, in particular laptop computers. This allowed staff the flexibility to work remotely during COVID-19 restrictions.
6. The variance is largely due to budgeted road projects being in the design phase, with construction to commence during 2020/21. These include:
  - Taylors Road and Westwood Drive intersection – delays in plan approval;
  - Caroline Springs Boulevard and Rockbank Middle Road signalised intersection – unexpected environmental concerns to address resulted in delays;
  - Sealed roads renewal program;
  - Taylors Road – delays in plan approval;
  - Boundary Road – negotiations delayed this joint project;
  - Brooklyn Road and Station Road signalised intersection – delayed by need for asbestos and tree removal;
  - Major Traffic Management upgrade program – delayed by planning timeframes with other authorities;
  - Streetscape Improvements program – delayed as defects need to be addressed prior to continuing project;
  - Bulmans Road – delay in approvals from other authorities and parties; and
  - Roadside Hazard Safety Improvements program – procurement delays.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Performance against budget (continued)

## 1.2. Capital works (continued)

## Explanation of material variations

## Item Explanation

## 6. (continued)

In addition, the following projects were incomplete due to impact of government regulation, social distancing and other COVID-19 restrictions in the last quarter of the financial year and will be carried forward for completion in 2020/21:

- Sealed roads renewal program;
- City Vista Court; and
- Shared Path construction program.

The main reasons for road projects being carried over into the 2020/21 financial year are COVID-19 impacts, timing of utility and local authority approvals, environmental matters and delays in procurement of the contracts. These factors were largely beyond Council's control.

7. Budgeted bridgeworks have been completed with costs slightly higher than budget.
8. Expenditure incurred to complete committed footpath renewal and extension programs from prior year.
9. Expenditure relating to Water Sensitive Urban Design (WSUD) and Drainage infrastructure programs incurred to complete committed projects from prior year.
10. Solar retrofit program and Silverdale Sound Walls design and construction are now planned to commence in 2020/21 financial year.  
The solar retrofit program experienced delays as access to buildings to carry out works was impacted by COVID-19 restrictions.  
Silverdale Sound Wall project has experienced delays in design as community consultation is required to assess the impacts.

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 2. Analysis of Council results by program

Note 2(a). Council delivers its functions and activities through the following programs.

##### **CEO and governance**

The office of the CEO incorporates Legal Services, Procurement and Governance Services.

##### **Corporate services**

The Corporate Services directorate incorporates the Finance, Risk & Performance, Information Technology, Engagement & Advocacy and People & Culture service units. The Corporate Services directorate provides internal support to Council Staff, and engages in advocacy on behalf of the municipality.

##### **Community services**

The Community Services directorate incorporates the Community Care, Families & Children, Community Planning, Recreation & Youth and Libraries service units. The Community Services directorate provides a range of services to people within our community, through provision of leisure and sporting infrastructure, libraries, care services for families, children, the elderly and those with disabilities.

##### **Planning and development**

The Planning & Development directorate incorporates the Engineering Services, Operations, Planning Services, Compliance, Capital Projects and City Design, Strategy & Environment service units. The Planning & Development directorate provides project management services for capital projects such as new community infrastructure, planning, engineering, environmental health and building services to the community.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 2. Analysis of Council results by program (continued)

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

Functions/activities	Income, revenue, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(a).				
	Income and Revenue	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	2020	2020	2020	2020	2020
CEO and governance	824	3,302	(2,478)	–	–
Corporate services	409,265	75,448	333,817	16,768	1,008,687
Community services	15,122	32,309	(17,187)	13,132	56,798
Planning and development	30,337	75,579	(45,242)	8,763	1,766,129
<b>Total functions and activities</b>	<b>455,548</b>	<b>186,638</b>	<b>268,910</b>	<b>38,663</b>	<b>2,831,614</b>

Functions/activities	Income, revenue, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(a).				
	Income and Revenue	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	2019	2019	2019	2019	2019
CEO and governance	1,650	3,710	(2,060)	–	–
Corporate services	336,776	62,453	274,323	16,568	859,300
Community services	16,865	30,970	(14,105)	13,588	43,444
Planning and development	27,414	69,378	(41,964)	11,527	1,652,001
<b>Total functions and activities</b>	<b>382,705</b>	<b>166,511</b>	<b>216,194</b>	<b>41,683</b>	<b>2,554,745</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services

\$ '000	2020	2019
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## 3.1. Rates and charges

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

The valuation base used to calculate general rates for 2019/20 was \$34,853 million (2018/19: \$32,166 million).

General rates	76,545	71,620
Municipal charge	8,891	8,286
Supplementary rates and rate adjustments	5,964	3,372
Interest on rates and charges	491	666
Commercial	5,945	5,711
Industrial	6,825	5,646
Rural	4,750	5,438
Garbage charge	14,903	13,430
<b>Total rates and charges</b>	<b>124,314</b>	<b>114,169</b>

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

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

As a result of the financial impact of COVID-19 on the community, Council resolved to provide a waiver of rates to the value of \$200 per applicant where financial hardship was demonstrated. Applications continue to be assessed after the end of the 2019/20 financial year, and the estimated total of the waivers is expected to be around \$490,000 in 2019/20.

## 3.2. Statutory fees and fines

Infringements and costs	3,012	1,639
Court recoveries	529	731
Land information certificates	159	129
Permits	4,720	3,780
Property information requests	1,282	915
Other	746	698
<b>Total statutory fees and fines</b>	<b>10,448</b>	<b>7,892</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.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

\$ '000	2020	2019
<b>3.3. User fees</b>		
Aged and health services	440	485
Leisure centre and recreation	1,257	1,775
Child care/children's programs	533	760
Registration and other permits	433	1,076
Building services	592	375
Waste management services	-	2,499
Youth program fees	49	121
Subdivision fees	4,931	3,473
Other fees and charges	1,417	1,602
<b>Total user fees</b>	<b>9,652</b>	<b>12,166</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.

Income from user fees has been affected in 2019/20 due to the closure of Council's recreational and community facilities, and cessation of some community programs in response to the COVID-19 pandemic.

## 3.4. Funding from other levels of government

Grants were received in respect of the following:

**Summary of grants**

Commonwealth funded grants	22,891	21,781
State funded grants	15,632	19,766
Other funding grants	140	136
<b>Total grants received</b>	<b>38,663</b>	<b>41,683</b>

**(a) Operating Grants****Recurrent - Commonwealth Government**

Financial Assistance Grant	16,768	16,093
Family day care	1,470	1,519
Other	3,369	3,514

**Recurrent - State Government**

Aged care	1,204	1,935
Libraries	937	914
Children's services	3,127	2,755
Community support and development	1,171	1,130
Community health	102	104
Planning and development	-	220
Youth services	506	360
Other community	155	365
Other	486	498

**Total recurrent operating grants**

<b>29,295</b>	<b>29,407</b>
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## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

\$ '000	2020	2019
<b>3.4. Funding from other levels of government (continued)</b>		
<b>(a) Operating Grants (continued)</b>		
<b>Non-recurrent - State Government</b>		
Community health	44	138
Family and children	33	100
Children's services	43	384
Community support and development	179	168
Community safety	4	85
Environment	100	127
Family, youth and housing	78	98
Other	228	521
<b>Total non-recurrent operating grants</b>	<b>709</b>	<b>1,621</b>
<b>Total operating grants</b>	<b>30,004</b>	<b>31,028</b>
<b>(b) Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	1,284	136
<b>Recurrent - State Government</b>		
Other	23	23
<b>Total recurrent capital grants</b>	<b>1,307</b>	<b>159</b>
<b>Non-recurrent - Commonwealth Government</b>		
Streetscape	-	655
<b>Non-recurrent - State Government</b>		
Buildings	2,342	2,810
Recreation	4,775	5,151
Other	235	1,880
<b>Total non-recurrent capital grants</b>	<b>7,352</b>	<b>10,496</b>
<b>Total capital grants</b>	<b>8,659</b>	<b>10,655</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	2,220	644
Received during the financial year and remained unspent at balance date	-	2,220
Received in prior years and spent during the financial year	(2,220)	(644)
<b>Balance at year end</b>	<b>-</b>	<b>2,220</b>

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



## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

\$ '000	2020	2019
<b>3.5. Contributions</b>		
Monetary	63,127	17,376
Non-monetary contributions	211,066	186,159
<b>Total contributions</b>	<b>274,193</b>	<b>203,535</b>
<b>Non-monetary contributions</b>		
<i>Contributions of non-monetary assets were received in relation to the following asset classes:</i>		
Land	23,438	51,008
Land under roads	34,362	9,905
Roads	57,064	65,143
Footpaths	16,433	11,925
Drainage	56,658	32,802
Recreation	716	1,280
Kerb and channel	13,550	6,435
Traffic management	5,578	5,674
Bridges	300	5
Car parks	2,967	1,982
<b>Total non-monetary contributions</b>	<b>211,066</b>	<b>186,159</b>
Monetary and non monetary contributions are recognised as revenue when Council obtains control over the contributed asset.		
<b>3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
<b>Land Held for Sale</b>		
Proceeds of sale	5,287	21,483
Written down value of assets disposed	(6,020)	(12,157)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(733)</b>	<b>9,326</b>
<b>Buildings</b>		
Proceeds of sale	-	-
Written down value of assets disposed	(394)	(1,714)
<b>Total net gain/(loss) on disposal of Buildings</b>	<b>(394)</b>	<b>(1,714)</b>
<b>Plant and equipment</b>		
Proceeds of sale	407	-
Written down value of assets disposed	(528)	(552)
<b>Total net gain/(loss) on disposal of Plant and equipment</b>	<b>(121)</b>	<b>(552)</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Funding for the delivery of our services (continued)

\$ '000	2020	2019
<b>3.6. Net gain/(loss) on disposal of property, infrastructure, plant and equipment (continued)</b>		
<b>Infrastructure Assets</b>		
Proceeds of sale	-	-
Written down value of assets disposed	(9,866)	(9,465)
<b>Total net gain/(loss) on disposal of Infrastructure Assets</b>	<b>(9,866)</b>	<b>(9,465)</b>
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(11,114)</b>	<b>(2,405)</b>

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

## 3.7. Other income

Interest	3,432	3,672
Investment property rental	617	289
Festival sponsorship	113	33
Program revenue	607	793
Rebates	-	(7)
Waste facility	3,763	-
Other	1,088	724
<b>Total other income</b>	<b>9,620</b>	<b>5,504</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.

Interest income has been affected by lower interest rates on investments as a result of economic uncertainty created by the COVID-19 pandemic.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services

\$ '000	2020	2019
<b>4.1. (a). Employee costs</b>		
Wages and salaries	46,729	44,103
WorkCover	904	859
Casual staff	860	998
Superannuation	4,348	4,070
Fringe benefits tax	136	123
Other	829	569
<b>Total employee costs</b>	<b>53,806</b>	<b>50,722</b>
<b>4.1. (b). Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	163	156
	<b>163</b>	<b>156</b>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	2,262	2,220
Employer contributions - other funds	1,923	1,694
	<b>4,185</b>	<b>3,914</b>
Employer contributions payable at reporting date.	-	-
<b>Total superannuation costs</b>	<b>4,348</b>	<b>4,070</b>

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

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

\$ '000	2020	2019
<b>4.2. Materials and services</b>		
Contract payments	38,272	35,864
General maintenance	11,166	8,224
Utilities	6,555	6,127
Information technology	2,761	825
Insurance	1,189	1,208
Consultants	334	407
Garbage collection and disposal	2,891	488
Contract labour	9,864	7,175
Administrative support	6,530	8,281
Program expenses	4,568	4,230
Professional fees	3,322	3,388
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	56	70
Auditors' remuneration - internal	108	103
Contributions and donations	559	643
Councillors allowances	380	374
Transport and vehicle operations	406	516
Other	2,743	2,341
<b>Total materials and services</b>	<b>91,704</b>	<b>80,264</b>
<b>4.3. Depreciation</b>		
<b>Property</b>		
Buildings - specialised	5,828	5,190
Buildings - non specialised	591	522
<b>Total depreciation - property</b>	<b>6,419</b>	<b>5,712</b>
<b>Plant and equipment</b>		
Plant machinery and equipment	832	799
Fixtures fittings and furniture	44	47
Computers and telecomms	233	100
Library books	180	171
<b>Total depreciation - plant and equipment</b>	<b>1,289</b>	<b>1,117</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

\$ '000	2020	2019
<b>4.3. Depreciation (continued)</b>		
<b>Infrastructure</b>		
Roads	10,277	10,406
Bridges	1,256	483
Footpaths and cycleways	3,520	3,130
Drainage	4,674	4,203
Recreational, leisure and community	3,521	3,030
Off street car parks	457	413
Kerb and channel	4,092	1,846
Traffic management	3,393	3,150
Other infrastructure	91	91
<b>Total depreciation - infrastructure</b>	<b>31,281</b>	<b>26,752</b>
<b>Total depreciation</b>	<b>38,989</b>	<b>33,581</b>
<i>Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.</i>		
<b>4.4. Amortisation - Intangible assets</b>		
Intangible assets	327	327
<b>Total Amortisation - Intangible assets</b>	<b>327</b>	<b>327</b>
<b>4.5. Amortisation - Right of use assets</b>		
Equipment	127	-
<b>Total Amortisation - Right of use assets</b>	<b>127</b>	<b>-</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 4. The cost of delivering services (continued)

\$ '000	2020	2019
<b>4.6. Bad and doubtful debts</b>		
Other debtors	184	542
Infringements	217	236
<b>Total bad and doubtful debts</b>	<b>437</b>	<b>778</b>

**Movement in provisions for doubtful debts**

Balance at the beginning of the year	549	25
New provisions recognised during the year	184	541
Amounts already provided for and written off as uncollectible	(242)	(17)
<b>Balance at end of year</b>	<b>491</b>	<b>549</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.

**4.7. Borrowing costs**

Interest - Borrowings	632	839
<b>Total borrowing costs</b>	<b>632</b>	<b>839</b>

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

**4.8. Finance Costs - Leases**

Interest - Lease Liabilities	10	-
<b>Total finance costs</b>	<b>10</b>	<b>-</b>

**4.9. Other expenses**

Loss on Sale of Financial Assets	5.1(b) 306	-
Other	300	-
<b>Total other expenses</b>	<b>606</b>	<b>-</b>

Council's share of Regional Kitchen Pty Ltd was sold during 2019/20 to Western Health (ABN 61 166 735 672), a State Government entity.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position

\$ '000	2020	2019
<b>5.1. Financial assets</b>		
<b>(a) Cash and cash equivalents</b>		
Cash on hand	9	7
Cash at bank	2,904	5,596
Term deposits	143,954	111,946
<b>Total cash and cash equivalents</b>	<b>146,867</b>	<b>117,549</b>
<b>(b) Other financial assets</b>		
<b>Current</b>		
Term deposits	104,334	62,402
<b>Total current other financial assets</b>	<b>104,334</b>	<b>62,402</b>
<b>Non-current</b>		
Unlisted shares - Regional Kitchen Pty Ltd	4.9 -	306
<b>Total non-current other financial assets</b>	<b>-</b>	<b>306</b>
<b>External restrictions</b>		
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
Trust funds and deposits	5.3 18,191	7,768
Reserves	9.1(b) 137,546	78,637
Fire services levy	1,691	424
<b>Total restricted funds</b>	<b>157,428</b>	<b>86,829</b>
<b>Total unrestricted cash and cash equivalents</b>	<b>(10,561)</b>	<b>30,720</b>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
Cash held to fund carried forward capital works	27,368	10,237
<b>Total funds subject to intended allocations</b>	<b>27,368</b>	<b>10,237</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. Term deposits with maturities between 90 and 180 days are classified as other financial assets, and not included in the calculation of unrestricted cash above.

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.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	2020	2019
<b>5.1. Financial assets (continued)</b>		
<b>(c) Trade and other receivables</b>		
<i>Statutory receivables</i>		
Rates debtors	11,362	6,687
Infringement debtors	4,616	4,013
<i>Non-statutory receivables</i>		
Accrued interest	221	346
Other debtors	31,127	20,161
<b>Provisions for doubtful debts</b>		
Provision for doubtful debts - other debtors	(491)	(549)
Provision for doubtful debts - infringements	(2,968)	(2,995)
<b>Total trade and other receivables</b>	<b>43,867</b>	<b>27,663</b>

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)	1,733	13,319
Past due by up to 30 days	11,493	1,529
Past due between 31 and 180 days	15,849	613
Past due between 181 and 365 days	1,782	575
Past due by more than 1 year	-	5,092
<b>Total trade and other receivables</b>	<b>30,857</b>	<b>21,128</b>



## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	2020	2019
<b>5.1. Financial assets (continued)</b>		
<b>(e) Ageing of individually impaired Receivables</b>		
<p>At balance date, other debtors representing financial assets with a nominal value of \$491,563 (2019: \$549,454) were impaired. The amount of the provision raised against these debtors was \$491,563 (2019: \$549,454). 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.</p> <p>The ageing of receivables that have been individually determined as impaired at reporting date was:</p>		
Current (not yet due)	-	-
Past due by up to 30 days	-	-
Past due between 31 and 180 days	-	118
Past due between 181 and 365 days	491	209
Past due by more than 1 year	-	222
<b>Total trade and other receivables</b>	<b>491</b>	<b>549</b>
<b>5.2. Non-financial assets</b>		
<b>(a) Inventories</b>		
<b>Current</b>		
Land for interment purposes at cost	41	41
<b>Total current inventories</b>	<b>41</b>	<b>41</b>
<b>Non-Current</b>		
Land for interment purposes at cost	67	119
<b>Total non-current inventories</b>	<b>67</b>	<b>119</b>
<p>Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. All other inventories, including inventory 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.</p>		
<b>(b) Other assets</b>		
Prepayments	1,215	1,170
Accrued income	13,217	29,439
<b>Total current other assets</b>	<b>14,432</b>	<b>30,609</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	2020	2019
<b>5.2. Non-financial assets (continued)</b>		
<b>(c) Intangible assets</b>		
Non-exclusive licences - Caroline Springs College Creekside Campus	290	363
Non-exclusive licences - Springside Children's and Community Centre	1,036	1,134
Non-exclusive licences - Kororoit Creek Early Learning Centre	1,705	1,860
<b>Total intangible assets</b>	<b>3,031</b>	<b>3,357</b>

The Department of Education and Early Childhood Development and the Caroline Springs College have granted non-exclusive licences to the Melton City Council to use the Creekside facility. Amortisation of the licence is expensed over the term of the licence until 30 June 2026. The Department of Education and Early Childhood Development has granted non-exclusive licences to the Melton City Council to use the Springside and Kororoit Creek facilities. Amortisation of the licence is expensed over the term of the licence until 30 June 2029 (Springside) and 30 June 2031 (Kororoit Creek).

	Non-exclusive licences - Caroline Springs College Creekside Campus	Non-exclusive licences - Springside Children's and Community Centre	Non-exclusive licences - Kororoit Creek Early Learning Centre	Total
<b>Gross carrying amount</b>				
Balance at 1 July 2019	1,478	1,962	3,100	6,540
<b>Balance at 1 July 2020</b>	<b>1,478</b>	<b>1,962</b>	<b>3,100</b>	<b>6,540</b>
<b>Accumulated amortisation and impairment</b>				
Balance at 1 July 2019	1,115	828	1,240	3,183
Amortisation expense	73	98	155	326
<b>Balance at 1 July 2020</b>	<b>1,188</b>	<b>926</b>	<b>1,395</b>	<b>3,509</b>
<b>Net book value at 30 June 2019</b>	<b>363</b>	<b>1,134</b>	<b>1,860</b>	<b>3,357</b>
<b>Net book value at 30 June 2020</b>	<b>290</b>	<b>1,036</b>	<b>1,705</b>	<b>3,031</b>

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

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
<b>5.3. Payables</b>			
<b>(a) Trade and other payables</b>			
Trade payables		21,442	14,368
Accrued expenses		7,108	11,125
Fire services levy		1,691	424
Contract Liabilities	5.3(c)	5,701	-
<b>Total trade and other payables</b>		<b>35,942</b>	<b>25,917</b>
<b>(b) Trust funds and deposits</b>			
<b>Current</b>			
Refundable deposits		8,832	2,477
Construction retention monies		114	114
<b>Total current trust funds and deposits</b>		<b>8,946</b>	<b>2,591</b>
<b>Non-current</b>			
Refundable deposits		9,100	5,030
Other refundable deposits		145	147
<b>Total non-current trust funds and deposits</b>		<b>9,245</b>	<b>5,177</b>
<b>(c) Contract Liabilities</b>			
<i>Contract Liabilities shown in Note 5.3(a) above include:</i>			
Grants received in advance - operating		982	-
Grants received in advance - capital		4,654	-
Income received in advance - contracts with customers		65	-
<b>Total Contract Liabilities</b>	5.3(a)	<b>5,701</b>	<b>-</b>

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

**Purpose and nature of items**

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

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

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	Notes	2020	2019
<b>(c) Contractual Liabilities (continued)</b>			
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.			
<b>5.4. Interest-bearing liabilities</b>			
<b>Current</b>			
Borrowings - secured		2,306	2,962
		<b>2,306</b>	<b>2,962</b>
<b>Non-current</b>			
Borrowings - secured		10,674	12,981
		<b>10,674</b>	<b>12,981</b>
<b>Total</b>		<b>12,980</b>	<b>15,943</b>

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

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

Not later than one year	2,306	2,962
Later than one year and not later than five years	9,752	9,818
Later than five years	922	3,162
	<b>12,980</b>	<b>15,942</b>

Borrowings are initially measured at fair value, being the cost of the interest bearing liabilities, net of transaction costs. The measurement basis subsequent to initial recognition depends on whether the Council has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through the profit and loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method. The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	Employee Provisions	Total
<b>5.5. Provisions</b>		
<b>2020</b>		
Balance at beginning of the financial year	12,264	12,264
Additional provisions	4,855	4,855
Amounts used	(3,604)	(3,604)
<b>Balance at the end of the financial year</b>	<b>13,515</b>	<b>13,515</b>
<b>2019</b>		
Balance at beginning of the financial year	11,784	11,784
Additional provisions	4,416	4,416
Amounts used	(3,936)	(3,936)
<b>Balance at the end of the financial year</b>	<b>12,264</b>	<b>12,264</b>
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	3,312	2,825
Long service leave	887	836
	<b>4,199</b>	<b>3,661</b>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	1,334	1,079
Long service leave	6,313	5,806
	<b>7,647</b>	<b>6,885</b>
<b>Total current employee provisions</b>	<b>11,846</b>	<b>10,546</b>
<b>Non-current</b>		
Long service leave	1,668	1,718
<b>Total non-current employee provisions</b>	<b>1,668</b>	<b>1,718</b>
Aggregate carrying amount of employee provisions:		
Current	11,846	10,546
Non-current	1,668	1,718
<b>Total aggregate carrying amount of employee provisions</b>	<b>13,514</b>	<b>12,264</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000

## 5.5. Provisions (continued)

## (a) Employee provisions (continued)

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:	2020	2019
- discount rate	0.56%	1.04%
- index rate	4.25%	4.31%
- settlement rate	144 months	144 mths

## 5.6. Financing arrangements

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

Bank overdraft	1,800	1,800
Credit card facilities	200	200
<b>Total facilities</b>	<b>2,000</b>	<b>2,000</b>
Used facilities - Credit card facilities	53	84
<b>Used facilities</b>	<b>53</b>	<b>84</b>
<b>Unused facilities</b>	<b>1,947</b>	<b>1,916</b>

## Melton City Council

## Notes to the Financial Report

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000

## 5.7. Commitments

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

\$ '000	Not later than 1 year	Later than 1 year and not later than 2 years	Later than 2 years and not later than 5 years	Later than 5 years	Total
<b>2020</b>					
<b>Operating</b>					
Recycling facility operations	4,875	5,000	-	-	9,875
Garbage and recycling collection	8,265	9,200	26,952	9,000	53,417
Health/cleaning services	1,450	-	-	-	1,450
Parks maintenance services	5,305	5,386	-	-	10,691
Road maintenance	6,366	6,500	2,990	-	15,856
IT services	784	580	580	-	1,944
Recreation/Leisure services	384	10	-	-	394
<b>Total Operating</b>	<b>27,429</b>	<b>26,676</b>	<b>30,522</b>	<b>9,000</b>	<b>93,627</b>
<b>Capital</b>					
Buildings	22,700	500	-	-	23,200
Roads	298	-	-	-	298
Recreational Facilities	8,924	50	-	-	8,974
<b>Total Capital</b>	<b>31,922</b>	<b>550</b>	<b>-</b>	<b>-</b>	<b>32,472</b>
<b>Total Commitments</b>	<b>59,351</b>	<b>27,226</b>	<b>30,522</b>	<b>9,000</b>	<b>126,099</b>
<b>2019</b>					
<b>Operating</b>					
Recycling facility operations	4,800	4,800	4,800	-	14,400
Garbage and recycling collection	7,500	7,500	21,417	13,000	49,417
Health/cleaning services	2,055	2,055	-	-	4,110
Corporate services	125	-	-	-	125
Parks maintenance services	5,929	6,105	-	-	12,034
Road maintenance	6,190	6,266	3,600	-	16,056
IT services	1,515	144	60	-	1,719
<b>Total Operating</b>	<b>28,114</b>	<b>26,870</b>	<b>29,877</b>	<b>13,000</b>	<b>97,861</b>
<b>Capital</b>					
Buildings	9,528	686	-	-	10,214
Roads	970	-	-	-	970
Recreational	10,326	310	81	-	10,717
<b>Total Capital</b>	<b>20,824</b>	<b>996</b>	<b>81</b>	<b>-</b>	<b>21,901</b>
<b>Total Commitments</b>	<b>48,938</b>	<b>27,866</b>	<b>29,958</b>	<b>13,000</b>	<b>119,762</b>

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## Melton City Council

### Notes to the Financial Report

for the year ended 30 June 2020

#### Note 5. Our financial position (continued)

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##### 5.8. 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.



## Melton City Council

### Notes to the Financial Report

for the year ended 30 June 2020

#### Note 5. Our financial position (continued)

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##### 5.8. Leases (continued)

###### Policy applicable after 1 July 2019 (continued)

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.

Council has elected to apply the temporary option available under *AASB 16 Leases* which allows not-for-profit entities to not measure right-of-use assets at initial recognition at fair value in respect of leases that have significantly below-market terms.

## Melton City Council

## Notes to the Financial Report

for the year ended 30 June 2020

## Note 5. Our financial position (continued)

\$ '000	Equipment	Total
<b>5.8. Leases (continued)</b>		
<b>(a) Right-of-Use Assets</b>		
Balance at 1 July 2019	740	740
Amortisation charge	(127)	(127)
<b>Balance at 30 June 2020</b>	<b>613</b>	<b>613</b>
<b>(b) Lease Liabilities</b>		
		2020
Maturity analysis - contractual undiscounted cash flows		
Less than one year		337
One to five years		471
More than five years		-
<b>Total undiscounted lease liabilities as at 30 June:</b>		<b>808</b>
<b>Lease liabilities included in the Balance Sheet at 30 June:</b>		
Current		255
Non-current		384
<b>Total lease liabilities</b>		<b>639</b>

**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.

Council had no short-term leases or leases of low value assets during the financial year.

## Melton City Council

### Notes to the Financial Report

for the year ended 30 June 2020

#### Note 5. Our financial position (continued)

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##### 5.8. Leases (continued)

###### 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

On transition to AASB 16 Leases, Council recognised an additional \$740,295 of right-of-use assets and \$740,295 of lease liabilities.

When measuring lease liabilities, Council discounted lease payments using an estimated incremental borrowing rate of 3.19%.

Melton City Council

Notes to the Financial Report

for the year ended 30 June 2020

Note 6. Assets we manage

\$ '000	2020	2019
<b>6.1. Non current assets classified as held for sale</b>		
Fair value of land	1,618	1,636
<b>Total non current assets classified as held for sale</b>	<b>1,618</b>	<b>1,636</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.

Melton City Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 6. Assets we manage (continued)

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									
Property	589,707	16,684	57,800	-	(6,419)	(395)	-	23,933	681,310
Plant and equipment	3,948	2,162	-	-	(1,290)	(529)	-	-	4,291
Infrastructure	1,661,276	19,143	153,266	(7,200)	(31,277)	(9,867)	-	16,206	1,801,547
Work in progress	48,832	19,931	-	-	-	-	(4,808)	(41,533)	22,422
<b>Total</b>	<b>2,303,763</b>	<b>57,920</b>	<b>211,066</b>	<b>(7,200)</b>	<b>(38,986)</b>	<b>(10,790)</b>	<b>(4,808)</b>	<b>(1,394)</b>	<b>2,509,570</b>

Summary of Work in Progress	Opening WIP	Additions	Write-off	Transfers	Closing WIP
\$ '000					
Property	14,036	8,607	(602)	(21,000)	1,041
Infrastructure	34,796	11,324	(4,206)	(20,533)	21,381
<b>Total</b>	<b>48,832</b>	<b>19,931</b>	<b>(4,808)</b>	<b>(41,533)</b>	<b>22,422</b>

## Melton City Council

Notes to the Financial Statements  
for the year ended 30 June 2020

## Note 6. Assets we manage (continued)

## 6.2. Property, infrastructure, plant and equipment (continued)

Property	Land - specialised	Land - non specialised	Land under roads	Total Land & Land Improvements	Buildings - specialised	Buildings - non specialised	Total Buildings	Work in Progress	Total Property
<b>\$ '000</b>									
At fair value 1 July 2019	300,885	91,940	51,893	444,718	225,077	19,815	244,892	14,036	703,646
Accumulated depreciation at 1 July 2019	-	-	-	-	(89,016)	(10,887)	(99,903)	-	(99,903)
	<b>300,885</b>	<b>91,940</b>	<b>51,893</b>	<b>444,718</b>	<b>136,061</b>	<b>8,928</b>	<b>144,989</b>	<b>14,036</b>	<b>603,743</b>
<b>Movements in fair value</b>									
Additions	-	-	-	-	6,230	10,453	16,684	8,607	25,291
Contributions	23,438	-	34,362	57,800	-	-	-	-	57,800
Disposal	-	-	-	-	(1,076)	(64)	(1,140)	-	(1,140)
Write-off	-	-	-	-	-	-	-	(602)	(602)
Transfers	-	(1,394)	-	(1,394)	24,862	465	25,327	(21,000)	2,933
	<b>23,438</b>	<b>(1,394)</b>	<b>34,362</b>	<b>56,406</b>	<b>30,016</b>	<b>10,854</b>	<b>40,871</b>	<b>(12,995)</b>	<b>84,282</b>
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(5,824)	(595)	(6,419)	-	(6,419)
Accumulated depreciation of disposals	-	-	-	-	691	54	745	-	745
	-	-	-	-	<b>(5,133)</b>	<b>(541)</b>	<b>(5,674)</b>	-	<b>(5,674)</b>
At fair value 30 June 2020	324,323	90,546	86,256	501,125	285,093	30,669	285,762	1,041	787,928
Accumulated depreciation at 30 June 2020	-	-	-	-	(94,149)	(11,428)	(105,577)	-	(105,577)
	<b>324,323</b>	<b>90,546</b>	<b>86,256</b>	<b>501,125</b>	<b>160,944</b>	<b>19,241</b>	<b>180,185</b>	<b>1,041</b>	<b>682,351</b>

Melton City Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 6. Assets we manage (continued)

6.2. Property, infrastructure, plant and equipment (continued)

Plant and Equipment	Plant, machinery and equipment	Fixtures, fittings and furniture	Computers and telecomms	Library books	Total plant and equipment
<b>\$ '000</b>					
At fair value 1 July 2019	5,348	804	6,256	1,629	14,037
Accumulated depreciation at 1 July 2019	(3,036)	(705)	(5,754)	(594)	(10,089)
	<b>2,312</b>	<b>99</b>	<b>502</b>	<b>1,035</b>	<b>3,948</b>
<b>Movements in fair value</b>					
Additions	991	-	694	478	2,162
Disposal	(940)	(4)	-	(432)	(1,376)
	<b>51</b>	<b>(4)</b>	<b>694</b>	<b>46</b>	<b>787</b>
<b>Movements in accumulated depreciation</b>					
Depreciation and amortisation	(832)	(49)	(229)	(180)	(1,290)
Accumulated depreciation of disposals	777	-	-	70	847
	<b>(55)</b>	<b>(49)</b>	<b>(229)</b>	<b>(110)</b>	<b>(443)</b>
At fair value 30 June 2020	5,399	800	6,950	1,675	14,823
Accumulated depreciation at 30 June 2020	(3,091)	(754)	(5,983)	(704)	(10,532)
	<b>2,308</b>	<b>46</b>	<b>967</b>	<b>971</b>	<b>4,291</b>

## Melton City Council

Notes to the Financial Statements  
for the year ended 30 June 2020

## Note 6. Assets we manage (continued)

## 6.2. Property, infrastructure, plant and equipment (continued)

Infrastructure	Roads	Bridges	Footpaths	Drainage	Recreation	Car parks	Kerb and channel	Traffic management	Other infrastructure	Work in Progress	Total Infrastructure
<b>\$ '000</b>											
At fair value 1 July 2019	881,277	87,145	168,356	420,653	70,715	27,640	241,290	89,601	2,874	34,796	2,024,347
Accumulated depreciation at 1 July 2019	(128,562)	(15,412)	(12,572)	(64,107)	(27,271)	(5,155)	(53,767)	(19,848)	(1,561)	-	(328,275)
	<b>752,695</b>	<b>71,733</b>	<b>155,784</b>	<b>356,546</b>	<b>43,444</b>	<b>22,485</b>	<b>187,523</b>	<b>69,753</b>	<b>1,313</b>	<b>34,796</b>	<b>1,696,072</b>
<b>Movements in fair value</b>											
Additions	3,442	44	4,191	1,490	6,374	2,359	406	836	-	11,324	30,467
Contributions	57,064	300	16,433	56,658	716	2,967	13,550	5,578	-	-	153,266
Revaluation	-	-	20,433	-	2,578	-	-	-	-	-	23,011
Disposal	(7,751)	(12)	(464)	(253)	(6,499)	(8)	(278)	(1)	-	(4,206)	(15,266)
Write-off	-	-	-	-	-	-	-	-	-	(4,206)	(4,206)
Transfers	5,754	76	-	117	10,259	-	-	-	-	(20,533)	(4,327)
	<b>58,510</b>	<b>407</b>	<b>40,593</b>	<b>58,012</b>	<b>13,428</b>	<b>5,318</b>	<b>13,677</b>	<b>6,413</b>	<b>-</b>	<b>(13,415)</b>	<b>182,944</b>
<b>Movements in accumulated depreciation</b>											
Depreciation and amortisation	(10,280)	(1,256)	(3,513)	(4,674)	(3,521)	(457)	(4,092)	(3,393)	(91)	-	(31,277)
Accumulated depreciation of disposals	1,496	5	253	39	3,567	7	32	-	-	-	5,400
Revaluation	-	-	(30,091)	-	(120)	-	-	-	-	-	(30,211)
	<b>(8,784)</b>	<b>(1,251)</b>	<b>(33,351)</b>	<b>(4,635)</b>	<b>(74)</b>	<b>(450)</b>	<b>(4,060)</b>	<b>(3,393)</b>	<b>(91)</b>	<b>-</b>	<b>(56,088)</b>
At fair value 30 June 2020	939,767	87,553	208,948	478,665	84,143	32,958	254,967	96,014	2,874	21,380	2,207,289
Accumulated depreciation at 30 June 2020	(137,364)	(16,663)	(45,923)	(68,742)	(27,345)	(5,605)	(57,827)	(23,241)	(1,652)	-	(384,362)
	<b>802,423</b>	<b>70,890</b>	<b>163,025</b>	<b>409,923</b>	<b>56,798</b>	<b>27,353</b>	<b>197,140</b>	<b>72,773</b>	<b>1,222</b>	<b>21,380</b>	<b>1,822,927</b>



## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Assets we manage (continued)

\$ '000

## 6.2. Property, infrastructure, plant and equipment (continued)

*Acquisition*

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

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

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

<i>Asset recognition thresholds and depreciation periods</i>	<b>Depreciation Period years</b>	<b>Threshold Limit \$ '000</b>
Land & land improvements		
Land	N/A	Nil
Land under roads	N/A	Nil
Buildings		
Buildings	50	Nil
Plant and Equipment		
Plant and machinery	5	5
Furniture and equipment	3 - 5	5
Library assets	10	Nil
Infrastructure		
Roads	10 - 100	10
Footpaths	10 - 70	10
Kerb and channel	10 - 70	10
Car parks	10 - 70	10
Traffic management	10 - 70	10
Bridges	25 - 100	25
Drainage works	80 - 100	25
Recreation facilities	3 - 30	1
Other	20 - 100	Nil

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 6. Assets we manage (continued)

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\$ '000

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##### 6.2. Property, infrastructure, plant and equipment (continued)

###### *Land under roads*

Council recognises land under roads it controls at fair value.

###### *Depreciation and amortisation*

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

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

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

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

Depreciation periods used are listed 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 qualified independent valuers Opteon Pty Ltd and FG Dixon Group respectively. 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.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Assets we manage (continued)

\$ '000

## 6.2. Property, infrastructure, plant and equipment (continued)

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

	Level 1	Level 2	Level 3	Date of valuation
Non-specialised Land	-	90,546	-	30/06/20
Specialised land	-	-	324,323	30/06/20
Land Under Roads	-	-	86,256	30/06/20
Buildings	-	-	180,185	1/07/18
<b>Total</b>	-	90,546	590,764	

*Valuation of infrastructure*

Valuation of infrastructure assets has been determined in accordance with an independent valuation undertaken by Infrastructure Management Group and Ray Hutchinson & Associates.

Only the Playgrounds and Play Equipment component of Recreational, leisure and community facilities class of assets was revalued as at 30 June 2020.

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

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

	Level 1	Level 2	Level 3	Date of valuation
Roads	-	-	802,423	30/06/19
Bridges	-	-	70,890	30/06/19
Footpaths and cycleways	-	-	163,025	30/06/20
Drainage	-	-	409,923	30/06/16
Recreational, leisure and community facilities	-	-	56,798	30/06/20
Off street car parks	-	-	27,353	30/06/19
Kerb and channel	-	-	197,140	30/06/19
Traffic management	-	-	72,773	30/06/17
Other infrastructure	-	-	1,222	30/06/14
<b>Total</b>	-	-	1,801,547	

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 6. Assets we manage (continued)

\$ '000

## 6.2. Property, infrastructure, plant and equipment (continued)

**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 5% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$1 and \$815 per square metre.

*Specialised buildings* are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$20 to \$300 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 1 year to 50 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

*Infrastructure assets* are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 10 years to 20 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.

\$ '000	Notes	2020	2019
Balance at beginning of financial year		7,300	7,077
Additions		103	-
Fair value adjustments		(228)	223
<b>Balance at end of financial year</b>		<b>7,175</b>	<b>7,300</b>

## 6.3. Investment property

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

**Valuation of investment property**

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property taking into consideration the impact on the market of COVID-19 and the surrounding uncertainty. The market that the assets are transacted in is being impacted by a high degree of uncertainty caused by the COVID-19 pandemic. The extent to which Covid-19 has impacted fair value measurements is not available and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships

\$ '000	2020	2019
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## 6.3. Investment property (continued)

**Valuation of investment property**

Valuation of investment property has been determined in accordance with an independent valuation by Opteon Pty Ltd who has recent experience in the location and category of the property being valued. The valuation is at fair value, based on the current market value for the property taking into consideration the impact on the market of COVID-19 and the surrounding uncertainty. The market that the assets are transacted in is being impacted by a high degree of uncertainty caused by the COVID-19 pandemic. The extent to which Covid-19 has impacted fair value measurements is not available and market conditions are changing daily at present. As at the date of valuation we consider that there is a market uncertainty resulting in significant valuation uncertainty.

## 7.1. Council and key management remuneration

**(a) Related Parties***Parent entity*

Melton City Council is the parent entity.

*Subsidiaries and Associates*

Council has no interests in subsidiaries or associates.

**(b) Key Management Personnel**

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

<b>Councillors</b>	Councillor Lara Carli (Mayor from 1 November 2019)		
	Councillor Bob Turner (Mayor to 31 October 2019)		
	Councillor Steve Abboushi		
	Councillor Ken Hardy		
	Councillor Goran Kesic		
	Councillor Kathy Majdlik		
	Councillor Michelle Mendes		
	Councillor Sophie Ramsey		
	Councillor Yvonne Sebire		
<b>Total Number of Councillors</b>		<b>No.</b>	<b>No.</b>
		9	10
<b>Chief Executive Officer</b>	Kelvin Tori	1	1
<b>General Manager - Corporate Services</b>	Peter Bean	1	1
<b>General Manager - Community Services</b>	Maurie Heaney	1	1
<b>General Manager - Planning &amp; Development</b>	Luke Shannon	1	1
<b>Executive Manager - Property &amp; Projects</b>	Laura-Jo Mellan	1	-
<b>Total Number of Key Management Personnel</b>		<b>14</b>	<b>14</b>

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships (continued)

\$ '000	2020	2019
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## 7.1. Council and key management remuneration (continued)

**(c) Remuneration of Key Management Personnel**

Total remuneration of key management personnel was as follows:

Short-term benefits	1,573	1,524
Long-term benefits	33	27
Post employment benefits	113	107
<b>Total</b>	<b>1,719</b>	<b>1,658</b>

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

	No.	No.
\$1 - \$9,999	-	1
\$30,000 - \$39,999	7	8
\$50,000 - \$59,999	2	-
\$90,000 - \$99,999	1	-
\$110,000 - \$119,999	-	1
\$270,000 - \$279,999	-	3
\$280,000 - \$289,999	3	-
\$390,000 - \$399,999	-	1
\$400,000 - \$409,999	1	-
	<b>14</b>	<b>14</b>

**(d) Senior Officer Remuneration**

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$151,000

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

Income Range:	No.	No.
Less than \$151,000	3	2
\$160,000 - \$169,999	-	3
\$170,000 - \$179,999	6	7
\$180,000 - \$189,999	6	4
\$190,000 - \$199,999	3	2
	<b>18</b>	<b>18</b>

Total Remuneration for the reporting year for Senior Officers included above amounted to:

<b>\$ '000</b>	<b>\$ '000</b>
3,095	3,048

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 7. People and relationships (continued)

\$ '000	2020	2019
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## 7.2. Related party disclosure

**(a) Transactions with related parties**

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

Salaries paid to close family members of Key Management Personnel	233	223
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**(b) Outstanding balances with related parties**

There are no outstanding balances with related parties as at 30 June 2020 (2019: Nil).

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

No loans have been made, guaranteed or secured by the Council to Key Management Personnel of the Council during the reporting period (2019: Nil).

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

There are no commitments to or from related parties as at 30 June 2020 (2019: Nil).

## Note 8. Managing uncertainties

## 8.1. Contingent assets and liabilities

**(a) Contingent assets**

Developer contributions to be received in respect of estates currently under development is expected to be in the range of \$140m to \$160m (2019: \$90m to \$100m).

**Operating lease receivables**

The Council has entered into commercial property leases on its investment property, consisting of surplus freehold buildings. These properties held under operating leases have remaining non-cancellable lease terms of between 1 and 5 years. All leases include a CPI based revision of the rental charge annually.

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

Not later than one year	1,035	276
Later than one year and not later than five years	3,301	769
Later than five years	-	-
	<b>4,336</b>	<b>1,045</b>

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.1. Contingent assets and liabilities (continued)

###### (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*

There were no contributions outstanding and no loans issued from or to the above scheme 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 \$191,000.

###### Legal matters

Proceedings were brought against the Council in the Supreme Court of Victoria in relation to land acquired by Council in the Taylors Hill West Precinct, which was disclosed in the 2018/19 financial report. An appeal to the outcome of these proceedings has recently concluded and Council has raised a provision for the award to the plaintiff and the expected amount of costs.

###### Liability Mutual Insurance

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

###### MAV WorkCare

Council is a participant of the MAV WorkCare Scheme. The MAV WorkCare scheme provides workers compensation insurance. The MAV WorkCare 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



## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.2. Change in accounting standards

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

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

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

- recognise a service concession asset constructed, developed or acquired from a third party by the operator, including an upgrade to an existing asset of the grantor, when the grantor controls the asset;
- reclassify an existing asset (including recognising previously unrecognised identifiable intangible assets and land under roads) as a service concession asset when it meets the criteria for recognition as a service
- initially measure a service concession asset constructed, developed or acquired by the operator or

reclassified by the grantor at current replacement cost in accordance with the cost approach to fair value in *AASB 13 Fair Value Measurement*. Subsequent to the initial recognition or reclassification of the asset, the service concession asset is accounted for in accordance with *AASB 116 Property, Plant and Equipment* or *AASB 138 Intangible Assets*, as appropriate, except as specified AASB 1059;

- recognise a corresponding liability measured initially at the fair value (current replacement cost) of the service concession asset, adjusted for any other consideration between the grantor and the operator; and
- disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of assets, liabilities, revenue and cash flows arising from service concession arrangements.

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

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

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

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

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

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 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 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.

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.3. Financial instruments (continued)

###### (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 has 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 has a policy for establishing credit limits for the entities Council deals with;
- Council may require collateral where appropriate; and
- Council only invests 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 provides 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.

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.3. Financial instruments (continued)

###### (d) Liquidity risk (continued)

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 + 0.5 % and - 0.5 % in market interest rates (AUD) from year-end rates of 0.6%.

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

##### 8.4. Fair value measurement

###### *Fair value hierarchy*

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

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

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

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.4. Fair value measurement (continued)

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

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

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

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

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

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

##### *Revaluation*

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

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

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Managing uncertainties (continued)

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\$ '000

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##### 8.4. Fair value measurement (continued)

###### *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

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by the City of Melton at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on the City of Melton, its operations, its future results and financial position.

The Victorian Government announced a State of Disaster on the 2 August 2020 and "Stage 4" restrictions were applied to Metro Melbourne, which includes the City of Melton.

This event does not affect amounts recognised in the 2019-20 financial statements.

The introduction of "Stage 4" restrictions has had further implications for Council services and facilities beyond those already affected by the previous "Stage 3" restrictions. Several of Council's services have now been or continued to be closed, including Council's leisure centre facilities, libraries and community centres.

Council's 2020-21 Adopted Budget includes estimated impacts on revenue and expenditure streams under "Stage 3" restrictions for the first quarter of 2020-21. An estimated \$2.7 million reduction in revenue is expected primarily in User Fees and Statutory Fees and Charges, and corresponding cost decrease of an estimated \$0.5m associated with the temporary closure of Council's leisure facilities.

Council continues to monitor and review the financial impacts of COVID-19 on its operating budget.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the City of Melton, the results of the operations or the state of affairs of the City of Melton in future financial years.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters

\$ '000	Balance at beginning of reporting period	Increment (decrement)	Share of increment (decrement) on revaluation of the asset class by an associate	Balance at end of reporting period
<b>9.1. Reserves</b>				
<b>(a) Asset revaluation reserves</b>				
<b>2020</b>				
<b>Property</b>				
Land - non specialised	226,355	-	-	226,355
Buildings	7,789	-	-	7,789
	<b>234,144</b>	<b>-</b>	<b>-</b>	<b>234,144</b>
<b>Infrastructure</b>				
Roads	528,065	(9,658)	-	518,407
Bridges	51,858	-	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	913	2,458	-	3,371
Other infrastructure	679	-	-	679
	<b>704,945</b>	<b>(7,200)</b>	<b>-</b>	<b>697,745</b>
<b>Total asset revaluation reserves</b>	<b>939,089</b>	<b>(7,200)</b>	<b>-</b>	<b>931,889</b>
<b>2019</b>				
<b>Property</b>				
Land - non specialised	226,355	-	-	226,355
Buildings	58	7,731	-	7,789
	<b>226,413</b>	<b>7,731</b>	<b>-</b>	<b>234,144</b>
<b>Infrastructure</b>				
Roads	448,750	79,315	-	528,065
Bridges	5,023	46,835	-	51,858
Drainage	123,430	-	-	123,430
Recreational, leisure and community facilities	913	-	-	913
Other infrastructure	679	-	-	679
	<b>578,795</b>	<b>126,150</b>	<b>-</b>	<b>704,945</b>
<b>Total asset revaluation reserves</b>	<b>805,208</b>	<b>133,881</b>	<b>-</b>	<b>939,089</b>

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

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters (continued)

\$ '000	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
<b>(b) Other reserves</b>				
<b>2020</b>				
<b>Restricted reserves</b>				
Street trees/drainage	924	18	-	942
Community infrastructure	77,713	90,460	(31,569)	136,604
<b>Total restricted reserves</b>	<b>78,637</b>	<b>90,478</b>	<b>(31,569)</b>	<b>137,546</b>
<b>Discretionary reserves</b>				
Asset replacement	3,691	65	(1,000)	2,756
Perpetual maintenance	129	2	-	131
Public art	169	3	(68)	104
Defined benefit call	365	7	-	372
Accommodation reserve	7,858	-	(974)	6,884
Infrastructure and strategic investment	65,671	25,111	(4,902)	85,880
<b>Total discretionary reserves</b>	<b>77,883</b>	<b>25,188</b>	<b>(6,944)</b>	<b>96,127</b>
<b>Total Other reserves</b>	<b>156,520</b>	<b>115,666</b>	<b>(38,513)</b>	<b>233,673</b>
<b>2019</b>				
<b>Restricted reserves</b>				
Street trees/drainage	899	25	-	924
Community infrastructure	73,182	46,653	(42,122)	77,713
<b>Total restricted reserves</b>	<b>74,081</b>	<b>46,678</b>	<b>(42,122)</b>	<b>78,637</b>
<b>Discretionary reserves</b>				
Asset replacement	735	5,334	(2,378)	3,691
Perpetual maintenance	126	3	-	129
Public art	210	11	(52)	169
Defined benefit call	358	7	-	365
Accommodation reserve	7,790	161	(93)	7,858
Atherstone investment	-	65,671	-	65,671
<b>Total discretionary reserves</b>	<b>9,219</b>	<b>71,187</b>	<b>(2,523)</b>	<b>77,883</b>
<b>Total Other reserves</b>	<b>83,300</b>	<b>117,865</b>	<b>(44,645)</b>	<b>156,520</b>



## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Other matters (continued)

##### (b) Other reserves (continued)

**Street trees/drainage**

Developer contributions for provision of drainage assets and street beautification.

**Community infrastructure**

Developer contributions collected to deliver community infrastructure within PSP and non-PSP areas in accordance with the Planning and Environment Act and section 173 agreements.

**Asset replacement**

Provision of ongoing replacement of plant and equipment for Council operations.

**Perpetual maintenance**

Provision for perpetual maintenance of Melton Cemetery.

**Public art**

Provision for installation and maintenance of public art throughout the municipality.

**Defined benefit call**

Provision for potential future funding call under the Defined Benefits Superannuation scheme.

**Accommodation reserve**

Provision for update of staff accommodation.

**Infrastructure and strategic investment (Previously Atherstone Investment)**

Income generated from Atherstone estate set aside for Strategic Investment .

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters (continued)

\$ '000	Notes	2020	2019
<b>9.2. Reconciliation of cash flows from operating activities to surplus/(deficit)</b>			
Surplus/(deficit) for the year		268,910	216,194
Depreciation/amortisation		39,443	33,908
Profit/(loss) on disposal of property, infrastructure, plant and equipment		11,114	2,405
Fair value adjustments for investment property		228	(223)
Contributions - Non-monetary assets		(211,066)	(186,159)
Share of net profits of associates and joint ventures		-	62
Operating amounts disclosed in financing activities		642	839
Adjustment for prior year income under AASB1058		(4,215)	-
<b>Change in assets and liabilities:</b>			
(Increase)/decrease in trade and other receivables		(16,262)	4,996
(Increase)/decrease in inventories		52	32
(Increase)/decrease in prepayments		(45)	-
Increase/(decrease) in accrued income		16,222	18,328
Increase/(decrease) in trade and other payables		10,025	5,360
Increase/(decrease) in provisions		1,250	480
(Decrease)/increase in other liabilities		10,423	1,308
<b>Net cash provided by/(used in) operating activities</b>		<b>126,721</b>	<b>97,530</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).

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Other matters (continued)

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\$ '000

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##### 9.3. Superannuation (continued)

###### **Defined Benefit**

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

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

###### **Funding Arrangements**

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

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

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

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

Vision Super has advised that the estimated VBI at 30 June 2020 was 104.6%.

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

###### **Employer contributions**

###### *Regular contributions*

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

## Melton City Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Other matters (continued)

\$ '000

##### 9.3. Superannuation (continued)

###### *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 60 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 Melton City Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2019 and the last full actuarial investigation was conducted as at 30 June 2017.

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

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

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

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

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 9. Other matters (continued)

\$ '000

## 9.3. Superannuation (continued)

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

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

**The 2020 triennial actuarial investigation**

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

	<b>2020 Triennial Investigation</b>	<b>2017 Triennial Investigation</b>
Net investment return	5.6% pa	6.5% pa
Salary inflation	2.5% pa	3.5% pa
	<i>for first two years and 2.75% thereafter</i>	
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:

\$ '000	Scheme	Type of Scheme	Rate	Actual 2020	Actual 2019
	Vision Super	Defined benefits	9.5%	163	156
	Vision Super	Accumulation fund	9.5%	2,262	2,220

In addition to the above contributions, Council has paid no unfunded liability payments to Vision Super during the 2019/20 year (2018/19 nil).

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 is \$191,000.

## Melton City Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 10. Changes in accounting policies

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.

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

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

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

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

*(d) Transition impacts*

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

	2019
	\$ '000
<b>Retained earnings at 30 June 2019</b>	1,397,244
Income Adjustment - impact of <i>AASB 1058 Income of Not-for-Profit Entities</i>	(4,215)
<b>Retained earnings at 1 July 2019</b>	<b>1,393,029</b>

Council adopted the practical expedient of deeming the lease asset to be equal in value to the lease liability at 1 July 2019. As such there was no impact on retained earnings on the adoption of *AASB 16 Leases*.