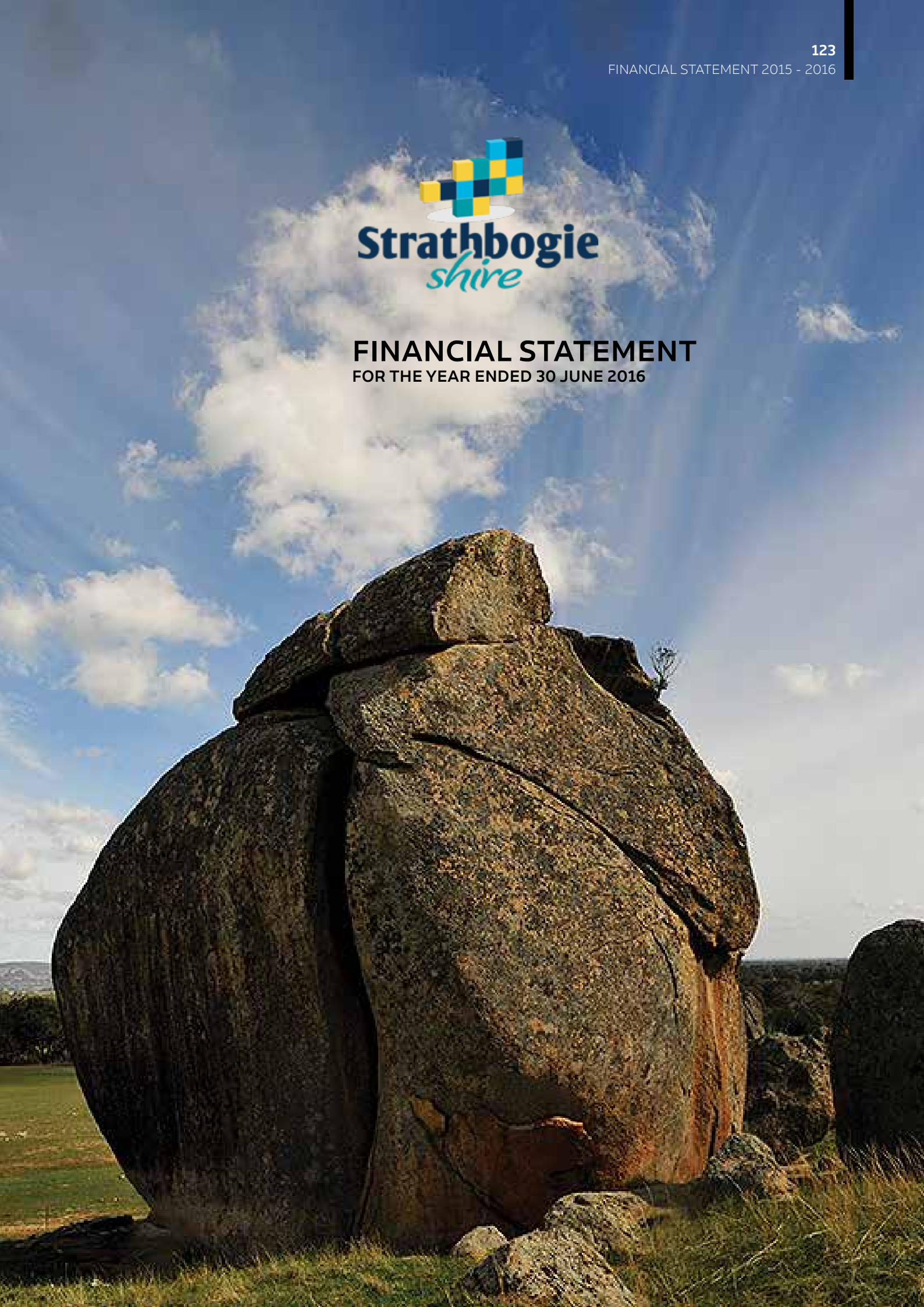




**Strathbogie**  
*shire*

**FINANCIAL STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2016





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## COMPREHENSIVE INCOME STATEMENT

For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Income</b>			
Rates and charges	3	17,234,171	16,173,021
Statutory fees and fines	4	312,662	300,997
User fees	5	760,261	1,172,227
Grants - operating	6	2,845,167	9,548,182
Grants - capital	6	4,058,600	4,187,457
Contributions - monetary	7	284,537	309,028
Contributions - non monetary	7	764,950	-
Share of net profits of associates	16	-	21,191
Bad and doubtful debts	12	12,388	-
Other income	9	1,930,660	755,843
<b>Total income</b>		<b>28,203,396</b>	<b>32,467,946</b>
<b>Expenses</b>			
Employee costs	10	(9,000,012)	(9,997,529)
Materials and services	11	(11,078,552)	(11,853,940)
Share of net loss of associates	16	(3,321)	-
Bad and doubtful debts	12	-	(12)
Depreciation	13	(5,120,192)	(4,794,545)
Borrowing costs	14	(122,433)	(152,849)
Net loss on disposal of property, infrastructure, plant and equipment	8	(2,936,102)	(314,141)
Other expenses	15	(288,020)	(260,061)
<b>Total expenses</b>		<b>(28,548,632)</b>	<b>(27,373,077)</b>
<b>(Deficit)/surplus for the year</b>		<b>(345,236)</b>	<b>5,094,869</b>
<b>Other comprehensive income</b>			
Net asset revaluation increment/(decrement)	28	11,552,041	26,679,280
<b>Total comprehensive result</b>		<b>11,206,805</b>	<b>31,774,149</b>

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

**BALANCE SHEET**

As at 30 June 2016

	Note	2016 \$	2015 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	9,379,978	9,988,208
Other financial assets	19	1,200,000	1,200,000
Trade and other receivables	18	1,823,508	1,529,571
Inventories	20	5,989	3,419
Non-current assets classified as held for sale	21	1,737,974	-
Other assets	22	112,901	1,100,553
<b>Total current assets</b>		<b>14,260,350</b>	<b>13,821,751</b>
<b>Non-current assets</b>			
Investments in associates	16	241,520	244,841
Property, infrastructure, plant and equipment	23	274,451,379	263,965,049
Other financial assets	19	2,032	2,032
<b>Total non-current assets</b>		<b>274,694,931</b>	<b>264,211,922</b>
<b>Total assets</b>		<b>288,955,281</b>	<b>278,033,673</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	2,712,549	2,743,379
Trust funds and deposits	25	762,242	495,673
Provisions	26	3,038,147	3,107,052
Interest-bearing loans and borrowings	27	488,195	637,658
<b>Total current liabilities</b>		<b>7,001,133</b>	<b>6,983,762</b>
<b>Non-current liabilities</b>			
Trust funds and deposits	25	67,980	67,980
Provisions	26	1,154,814	1,182,023
Interest-bearing loans and borrowings	27	1,202,063	1,477,422
<b>Total non-current liabilities</b>		<b>2,424,857</b>	<b>2,727,425</b>
<b>Total liabilities</b>		<b>9,425,990</b>	<b>9,711,187</b>
<b>Net assets</b>		<b>279,529,291</b>	<b>268,322,486</b>
<b>Equity</b>			
Accumulated surplus		81,110,414	81,455,650
Reserves	28	198,418,877	186,866,836
<b>Total Equity</b>		<b>279,529,291</b>	<b>268,322,486</b>

Note Cash and cash equivalents at 30 June 2015 have been amended appear as Current Assets - Other financial assets in order to meet the requirements of the model report regarding deposits over 90 days

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

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	Note	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
		\$	\$	\$	\$
<b>2016</b>					
Balance at beginning of the financial year		268,322,485	81,455,650	186,166,435	700,400
Surplus/(deficit) for the year		(345,236)	(345,236)	-	-
Net asset revaluation increment/(decrement)	28(a)	11,552,041	-	11,552,041	-
Transfers to other reserves	28(b)	-	-	-	-
Transfers from other reserves	28(b)	-	-	-	-
<b>Balance at end of the financial year</b>		<b>279,529,290</b>	<b>81,110,414</b>	<b>197,718,476</b>	<b>700,400</b>
<b>2015</b>					
Balance at beginning of the financial year		236,548,336	76,360,781	159,487,155	700,400
Surplus/(deficit) for the year		5,094,869	5,094,869	-	-
Net asset revaluation increment/(decrement)	28(a)	26,679,280	-	26,679,280	-
Transfers to other reserves	28(b)	-	-	-	-
Transfers from other reserves	28(b)	-	-	-	-
<b>Balance at end of the financial year</b>		<b>268,322,485</b>	<b>81,455,650</b>	<b>186,166,435</b>	<b>700,400</b>

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

## STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2016

	Note	2016 Inflows/ (Outflows) \$	2015 Inflows/ (Outflows) \$
<b>Cash flows from operating activities</b>			
Rates and charges		17,156,320	16,125,346
Statutory fees and fines		312,662	300,997
User fees		556,563	1,139,529
Grants - operating		2,845,167	8,599,764
Grants - capital		4,058,600	4,187,457
Contributions - monetary		284,537	309,028
Interest received		275,168	292,066
Trust funds and deposits taken		586,049	297,436
Other receipts		632,248	413,462
Net GST refund(payment)		1,578,333	1,964,488
Employee costs		(9,096,126)	(9,371,679)
Materials and services		(11,745,806)	(13,582,754)
Trust funds and deposits repaid		(319,481)	(281,977)
Other payments		(288,020)	(260,074)
<b>Net cash provided by operating activities</b>	29	<b>6,836,214</b>	<b>10,133,089</b>
<b>Cash flows from investing activities</b>			
Payments for property, infrastructure, plant and equipment	23	(7,347,261)	(7,586,564)
Proceeds from sale of property, infrastructure, plant and equipment		450,071	272,477
<b>Net cash used in investing activities</b>		<b>(6,897,190)</b>	<b>(7,314,087)</b>
<b>Cash flows from financing activities</b>			
Finance costs		(122,431)	(152,849)
Proceeds from borrowings		-	-
Repayment of borrowings		(424,822)	(632,376)
<b>Net cash used in financing activities</b>		<b>(547,253)</b>	<b>(785,225)</b>
Net (decrease)/increase in cash and cash equivalents		(608,230)	2,033,777
Cash and cash equivalents at the beginning of the financial year		9,988,208	7,954,431
<b>Cash and cash equivalents at the end of the financial year</b>		<b>9,379,978</b>	<b>9,988,208</b>
Financing arrangements	30		
Restrictions on cash assets	17		

Note Cash and cash equivalents at 30 June 2015 have been amended appear as Current Assets - Other financial assets in order to meet the requirements of the model report regarding deposits over 90 days

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



## STATEMENT OF CAPITAL WORKS

For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Property</b>			
Land		143,188	624,489
Buildings		1,188,625	1,924,648
<b>Total property</b>		<u>1,331,813</u>	<u>2,549,137</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		633,098	762,964
Computers and telecommunications		299,711	160,645
<b>Total plant and equipment</b>		<u>932,809</u>	<u>923,609</u>
<b>Infrastructure</b>			
Roads		4,016,134	3,259,647
Bridges and culverts		736,059	325,511
Footpaths		169,636	114,709
Drainage		179,307	333,951
Kerb and channel		61,818	80,000
<b>Total infrastructure</b>		<u>5,162,954</u>	<u>4,113,818</u>
<b>Total capital works expenditure</b>		<u>7,427,576</u>	<u>7,586,564</u>
<b>Represented by:</b>			
New asset expenditure		536,354	295,750
Asset renewal expenditure		6,244,628	6,305,645
Asset upgrade expenditure		646,594	985,169
<b>Total capital works expenditure</b>		<u>7,427,576</u>	<u>7,586,564</u>

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

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Introduction

The Strathbogie Shire Council was established by an Order of the Governor in Council on 18 November 1994 and is a body corporate.

The Council's main office is located at the corner of Binney and Bury Streets, Euroa, Victoria 3666.

### Statement of compliance

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

### Note 1 Significant accounting policies

#### (a) Basis of accounting

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

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

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 1 (l) )
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 1 (m) )
- the determination of employee provisions (refer to Note 1 (r) )
- the determination of landfill rehabilitation provision (refer to Note 1 (s) )

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

#### (b) Changes in accounting policies

There have been no changes in accounting policies from the previous period.

#### (c) Committees of management

The value of land and buildings occupied and/or utilised by Council committees of management is consolidated in Council's balance sheet as at 30 June 2016.

The following committees of management as at 30 June 2016 are not included in this financial report as they are not controlled by Council and accordingly prepare their own financial reports separately:

Avenel Memorial Hall  
 Boho South Hall  
 Creighton's Creek Recreation Reserve  
 Euroa Band Hall  
 Euroa Friendlies Reserve  
 Euroa Third Age Club  
 Gooram Soldiers' Memorial Hall  
 Honouring Our Heroes  
 Longwood Community Centre  
 Miepoll Public Hall  
 Moglonemby Hall  
 Nagambie Recreation Reserve  
 Nagambie Waterways Recreational and Commercial Stakeholders Advisory Committee  
 Ruffy Recreation Reserve  
 Shadforth Reserve  
 Strathbogie Memorial Hall  
 Strathbogie Recreation Reserve  
 Tableland Community Centre Committee Ruffy  
 Violet Town Complex  
 Violet Town Recreation Reserve

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (d) Accounting for investments in associates

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

#### (e) Revenue recognition

Income is recognised when the Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to the Council and the amount of the contribution can be measured reliably.

##### *Rates and Charges*

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.

##### *Statutory fees and fines*

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.

##### *User fees*

User fees are recognised as revenue when the service has been provided or the payment is received, whichever first occurs.

##### *Grants*

Grant income is recognised when Council obtains control of the contribution. This is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and are valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 6. The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

##### *Contributions*

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

##### *Sale of property, infrastructure, plant and equipment*

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

##### *Interest*

Interest is recognised as it is earned.

##### *Other Income*

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

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (f) Fair value measurement

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

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

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

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

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

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

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

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

#### (g) Cash and cash equivalents

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.

#### (h) Trade and other receivables

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

#### (i) Other financial assets

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

#### (j) Inventories

Inventories held for distribution are measured at cost, adjusted when applicable for any loss of service potential. Inventories are measured at the lower of cost and net realisable value.

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value.

Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

#### (k) Non-current assets classified as held for sale

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

#### (l) Recognition and measurement of property, plant and equipment, infrastructure

##### Acquisition

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

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

In accordance with Council's policy, the threshold limits detailed in Note 1 m have applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (l) Recognition and measurement of property, plant and equipment, infrastructure (cont'd)

##### *Revaluation*

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

Fair value valuations are determined in accordance with a valuation hierarchy. Changes to the valuation hierarchy will only occur if an external change in the restrictions or limitations of use of an asset result in changes to the permissible or practical highest and best use of the asset. Further details regarding the fair value hierarchy are disclosed at Note 23 Property, infrastructure, plant and equipment.

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

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.

##### *Land under roads*

Land under roads acquired after 30 June 2008 is brought to account using the cost basis. Council does not recognise land under roads that it controlled prior to that period in its financial report.

#### (m) Depreciation and amortisation of property, infrastructure, plant and equipment

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

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

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

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

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

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (m) Depreciation and amortisation of property, infrastructure plant and equipment (cont'd)

*Asset recognition thresholds and depreciation periods*

	Depreciation Period	Threshold Limit \$
Property		
land	-	10,000
Buildings		
buildings	20 to 120 years	5,000
Plant and Equipment		
plant, machinery and equipment	2 to 20 years	1,000
furniture and equipment	2 to 10 years	1,000
leased plant and equipment	3 to 5 years	5,000
Infrastructure		
road pavements - sealed	75 to 110 years	5,000
road pavements - unsealed	18 to 25 years	5,000
road seals	18 to 40 years	5,000
formation and earthworks	-	5,000
bridges deck	80 to 120 years	5,000
bridges substructure	80 to 120 years	5,000
culverts	70 to 100 years	5,000
footpaths	20 to 90 years	5,000
drainage	100 years	5,000
kerb and channel	80 years	5,000
open space assets	15 to 100 years	3,000
cultural heritage assets	-	3,000

#### (n) Repairs and maintenance

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

#### (o) Impairment of assets

At each reporting date, the Council reviews the carrying value of its assets to determine whether there is any indication that these assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the 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.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (p) Trust funds and deposits

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 (refer to Note 25).

#### (q) Borrowings

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.

##### *Borrowing costs*

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. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

Borrowing costs include interest on bank overdrafts, interest on borrowings, and finance lease charges.

#### (r) Employee costs and benefits

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.

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

The components of this current liability are measured at :

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

##### *Classification of employee costs*

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

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

##### *Superannuation*

The amount charged to the Comprehensive Income Statement in respect of superannuation represents contributions made or due by Strathbogie Shire Council to the relevant superannuation plans in respect to the services of Strathbogie Shire Council's staff (both past and present). Superannuation contributions are made to the plans based on the relevant rules of each plan and any relevant compulsory superannuation requirements that Strathbogie Shire Council is required to comply with.

#### (s) Landfill rehabilitation provision

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

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 1 Significant accounting policies (cont.)

#### (t) Leases

##### *Finance leases*

Leases of assets where substantially all the risks and rewards incidental to ownership of the asset, are transferred to the Council are classified as finance leases. Finance leases are capitalised, recording an asset and a liability at the lower of the fair value of the asset and the present value of the minimum lease payments, including any guaranteed residual value. Lease payments are allocated between the reduction of the lease liability and the interest expense. Leased assets are depreciated on a straight line basis over their estimated useful lives to the Council where it is likely that the Council will obtain ownership of the asset or over the term of the lease, whichever is the shorter. Council has no finance leases.

##### *Operating leases*

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

#### (u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### (v) Financial guarantees

Financial guarantee contracts are not recognised as a liability in the balance sheet unless the lender has exercised their right to call on the guarantee or Council has other reasons to believe that it is probable that the right will be exercised. Details of guarantees that Council has provided, that are not recognised in the balance sheet, are disclosed at Note 34 contingent liabilities and contingent assets.

#### (w) Contingent assets and contingent liabilities and commitments

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

Commitments are not recognised in the Balance Sheet. Commitments are disclosed at their nominal value by way of Note and presented inclusive of the GST payable.

#### (x) Pending accounting standards

Certain new AAS's have been issued that are not mandatory for the 30 June 2016 reporting period. Council has assessed these pending standards and has identified that no material impact will flow from the application of these standards in future reporting periods.

#### (y) Rounding

Unless otherwise stated, amounts in the financial report have been rounded to the nearest dollar. Figures in the financial statement may not equate due to rounding.



## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 2 Budget comparison

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

The budget figures detailed below are those adopted by Council on 9 June 2015. The Budget was based on assumptions that were relevant at the time of adoption of the Budget. Council sets guidelines and parameters for income and expense targets in this budget in order to meet Council's planning and financial performance targets for both the short and long-term. The budget did not reflect any changes to equity resulting from asset revaluations, as their impacts were not considered predictable.

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

#### (a) Income and Expenditure

	Budget 2016	Actual 2016	Variance	Ref
	\$	\$	\$	
<b>Income</b>				
Rates and charges	17,031,000	17,234,171	203,171	1
Statutory fees and fines	278,200	312,662	34,462	2
User fees	746,700	760,261	13,561	
Grants - operating	5,760,700	2,845,167	(2,915,533)	3
Grants - capital	2,927,300	4,058,600	1,131,300	4
Contributions - monetary	19,300	284,537	265,237	5
Contributions - non monetary	-	764,950	764,950	6
Bad and doubtful debts	-	12,388	12,388	
Other income	605,900	1,930,660	1,324,760	7
<b>Total Income</b>	<b>27,369,100</b>	<b>28,203,396</b>	<b>834,296</b>	
<b>Expenses</b>				
Employee costs	(8,379,400)	(9,000,012)	(620,612)	8
Materials and services	(11,702,000)	(11,078,552)	623,448	9
Share of net loss of associates	-	(3,321)	(3,321)	
Depreciation	(4,990,000)	(5,120,192)	(130,192)	10
Borrowing costs	(119,600)	(122,433)	(2,833)	
Net loss on disposal of property, infrastructure, plant and equipment	(680,500)	(2,936,102)	(2,255,602)	11
Other expenses	(202,000)	(288,020)	(86,020)	12
<b>Total expenses</b>	<b>(26,073,500)</b>	<b>(28,548,632)</b>	<b>(2,475,132)</b>	
<b>Surplus/(deficit) for the year</b>	<b>1,295,600</b>	<b>(345,236)</b>	<b>(1,640,836)</b>	

#### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Greater than anticipated revenues from implementation of new waste management system
2	Statutory fees and fines	Greater than budgeted planning fees \$46K
3	Grants - operating	VGC prepaid \$2,488K 2014/15. Budgeted Nagambie Main Street funding received 2014/15 \$450K
4	Grants - capital	Increase in Roads to Recovery grant \$880K, Budgeted LGIF discontinued 2014/15 (\$500K) Unbudgeted Non-Recurrent Grants \$743K
5	Contributions - monetary	GMW contribution re Chinaman's Bridge Caravan Park \$182K reclassified from User Fees. Unbudgeted contributions to community projects \$69K and public open space \$18K
6	Contributions - non monetary	Gifted and found assets \$259K, Land under roads \$506K
7	Other income	Found assets \$1.02M. Greater than budgeted - investment interest \$89K, Rates Interest \$20K, Workcover/Employment Insurance Recovery \$60K, Recycling Acceptance and Sorting \$33K. Unbudgeted - Shared Services contribution \$104K, Staff Training Subsidy \$45K. Less Debt Collection Expenses Recovered transferred to User Fees \$60K
8	Employee costs	Redundancies \$223K. Unbudgeted employee costs \$368K, which were offset by other cost savings Under-expenditures - Strategic Planning \$235K, Fire Tracks/Prevention \$139K, VT Landfill \$120K, Tree Management/Powerline Clearing \$34K, Nagambie Main Street \$67K, Condition Assessments
9	Materials and services	\$33K, Domestic Waste Plan \$53K, Ranger & Local Laws \$57K, Insurances/FSL \$60K. Over- expenditure - HR Contractor \$82K. Unbudgeted - Roadside Pest & Weeds Management \$62K
10	Depreciation	Impact of revaluation of infrastructure assets 30 June 2015 - not budgeted
11	Net loss on disposal of property, infras	Written down value of infrastructure assets replaced \$2.84M (2014/15 \$0.44M)
12	Other expenses	Audit fees budgeted as materials and contracts transferred to other expenses \$68K

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 2 Budget comparison (cont)

#### (b) Capital Works

	Budget 2016 \$	Actual 2016 \$	Variance 2016 \$	Ref
<b>Property</b>				
Land	231,000	143,188	(87,812)	1
<b>Total Land</b>	<b>231,000</b>	<b>143,188</b>	<b>(87,812)</b>	
Buildings	961,000	1,188,625	227,625	2
<b>Total Buildings</b>	<b>961,000</b>	<b>1,188,625</b>	<b>227,625</b>	
<b>Total Property</b>	<b>1,192,000</b>	<b>1,331,813</b>	<b>139,813</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	770,000	633,098	(136,902)	3
Computers and telecommunications	250,000	299,711	49,711	4
<b>Total Plant and Equipment</b>	<b>1,020,000</b>	<b>932,809</b>	<b>(87,191)</b>	
<b>Infrastructure</b>				
Roads	3,671,000	4,016,134	345,134	5
Bridges	1,297,000	736,059	(560,941)	6
Footpaths	139,000	169,636	30,636	7
Drainage	439,000	179,307	(259,693)	8
Kerb and channel	62,000	61,818	(182)	
<b>Total Infrastructure</b>	<b>5,608,000</b>	<b>5,162,954</b>	<b>(445,046)</b>	
<b>Total Capital Works Expenditure</b>	<b>7,820,000</b>	<b>7,427,576</b>	<b>(392,424)</b>	
<b>Represented by:</b>				
New asset expenditure	147,000	536,354	389,354	
Asset renewal expenditure	7,240,000	6,244,628	(995,372)	
Asset expansion expenditure	-	-	-	
Asset upgrade expenditure	433,000	646,594	213,594	
<b>Total Capital Works Expenditure</b>	<b>7,820,000</b>	<b>7,427,576</b>	<b>(392,424)</b>	

#### (i) Explanation of material variations

Variance Ref	Item	Explanation
1	Land	Unbudgeted - Hill St, Longwood \$71K, Nagambie Depot \$16K less carried forward to 2016/17 \$134K, less items treated as buildings \$13K, less fences, bollards, lighting project not done \$14K
2	Buildings	Unbudgeted - Euroa Saleyards Roof \$145K, Nagambie Men's Shed \$78K, Buckley Park Landing \$85K, Nagambie Foreshore Lighting \$42K, Bi-Centennial Park Euroa \$20K. Exceeded budget - Violet Town Library \$34K, Violet Town Centre Roof \$26K. Less under budget - Nagambie Bowling Club \$30K (offwd to 2016/17), Brock Street Toilet \$22K, Euroa Caravan Park \$21K, Euroa Band Hall \$20K, RSL Hall Euroa \$23K, Violet Town Depot \$25K, Avenel Memorial Hall \$25K, Euroa Civic Centre Roof \$20K
3	Plant, machinery and equipment	Plant replacement program reduced by \$100K in mid year review
4	Computers and telecommunications	Unbudgeted items
5	Roads	Additional works enabled through increased Roads to Recovery funding. Works transferred to 2016/17 \$5273K
6	Bridges	Carried forward to 2016/17 - Geodetic Bridge \$140K, Halsall's Lane Bridge \$60K, Curries Road Bridge 30 \$60K, Curries Road Bridge 86 \$380K
7	Footpaths	Unbudgeted - Campbell Street Pathway Connection \$60K, Spring Creek Road \$10K. Less Under budget - Livingstone Street \$18K. Less Nagambie Foreshore Lighting recorded as Buildings \$25K
8	Drainage	Carried forward to 2016/17 - Rowe Street \$81K, Nagambie Industrial Area \$86K, Nagambie Retention Dam \$70K

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016 \$	2015 \$
<b>Note 3 Rates and charges</b>		
Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on that land.		
The valuation base used to calculate general rates for 2015/16 was \$2,610 million (2014/15 \$2,570 million).		
General Rates	13,192,874	12,437,719
Municipal charge	1,750,978	1,733,724
Waste management charge	2,265,764	1,973,138
Supplementary rates and rate adjustments	24,555	28,440
<b>Total rates and charges</b>	<b><u>17,234,171</u></b>	<b><u>16,173,021</u></b>
The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016		
<b>Note 4 Statutory fees and fines</b>		
Building fees	38,093	36,087
Planning fees	118,435	116,482
Health registrations	62,363	55,206
Animal registrations	77,748	80,542
Land information certificates	16,023	12,680
<b>Total statutory fees and fines</b>	<b><u>312,662</u></b>	<b><u>300,997</u></b>
<b>Note 5 User fees</b>		
Community services including home care	-	292,085
Tip fees	83,702	94,375
Nagambie Lakes events	40,779	25,686
Saleyard operations revenue	280,155	253,887
Swimming pools revenue	6,235	4,911
Fire Service Levy - financial support	38,976	37,857
Rent/lease Charges	52,949	66,201
Private works	6,820	143,511
Euroa Cinema	63,885	52,654
Debt collection expenses recovered	85,519	92,642
Septic tank fees	16,946	18,045
Other user charges and contributions	84,295	90,373
<b>Total user fees</b>	<b><u>760,261</u></b>	<b><u>1,172,227</u></b>
<b>Debt collection reclassified to other income</b>		

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	5,379,090	9,396,181
State funded grants	1,524,677	4,339,458
<b>Total grants received</b>	<b>6,903,767</b>	<b>13,735,639</b>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	2,385,207	7,485,674
General home care	19,234	808,425
Commonwealth Roads of Access	39,707	38,967
Veterans' Affairs	195	35,900
<b>Recurrent - State Government</b>		
Aged Care	30,861	197,076
Maternal & Child Health	105,502	106,514
Youth	67,705	74,673
Community Safety	19,175	29,566
Beach Cleaning Subsidy	-	3,247
Median Strip Subsidy	7,000	7,000
Pests and Plants Program	53,378	48,949
Regional Victorian Living Expo 2012	-	15,700
State Emergency Services	13,253	13,253
<b>Total recurrent operating grants</b>	<b>2,741,217</b>	<b>8,864,944</b>
<b>Non-recurrent - State Government</b>		
Recreation	28,950	152,400
Municipal Emergency Resource Programme	25,000	-
Nagambie Main Street Project	50,000	458,539
Destination Plan Goulburn River Valley Project	-	9,000
Creighton's Creek Fire Recovery	-	63,300
<b>Total non-recurrent operating grants</b>	<b>103,950</b>	<b>683,239</b>
<b>Total operating grants</b>	<b>2,845,167</b>	<b>9,548,183</b>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,934,747	1,027,215
<b>Recurrent - State Government</b>		
Local Government Infrastructure Program 2011-15	10,867	460,000
State Government Roads & Bridges Funding	-	1,000,000
<b>Total recurrent capital grants</b>	<b>2,945,614</b>	<b>2,487,215</b>
<b>Non-recurrent - State Government</b>		
Bridges	260,001	-
Recreation	85,979	434,811
Fire Restoration	(1,169)	937,130
Libraries	100,000	300,000
Footpaths	55,000	-
Waste Transfer Station Upgrades	63,174	28,300
Euroa Saleyards Roof Stage 2 Grant	250,001	-
Nagambie Bypass Project	150,000	-
Avenal Hall Upgrade	150,000	-
<b>Total non-recurrent capital grants</b>	<b>1,112,986</b>	<b>1,700,241</b>
<b>Total capital grants</b>	<b>4,058,600</b>	<b>4,187,456</b>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	42,433	165,908
Received during the financial year and remained unspent at balance date	354,018	42,433
Received in prior years and spent during the financial year	42,433	165,908
<b>Balance at year end</b>	<b>354,018</b>	<b>42,433</b>

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>Note 7 Contributions</b>		
Public Open Space Contributions	17,995	3,900
Contributions to Community Projects	84,047	126,914
GMW Chinaman's Bridge Caravan Park Contribution	182,496	178,214
Land under roads	506,120	-
Gifted Assets	258,830	-
<b>Total contributions</b>	<b>1,049,488</b>	<b>309,028</b>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	450,071	272,477
Written down value of assets disposed	(541,420)	(145,304)
Written down value of infrastructure assets replaced	(2,844,753)	(441,314)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<b>(2,936,102)</b>	<b>(314,141)</b>
<b>Note 9 Other income</b>		
Interest	275,168	306,709
Interest on rates	79,969	90,949
Diesel rebate	43,744	44,930
Insurance recoveries	247,491	93,898
Regional Shared Services	103,725	61,288
Parental Leave Reimbursement	-	46,197
Green Organics	106,577	76,200
Found assets	1,023,244	35,672
Staff Training Subsidy	44,500	-
Other Items	6,242	-
<b>Total other income</b>	<b>1,930,660</b>	<b>755,843</b>
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	7,722,030	8,635,635
WorkCover	312,120	275,397
Superannuation	677,979	740,396
Fringe benefits tax	154,912	167,000
Other	132,971	179,101
<b>Total employee costs</b>	<b>9,000,012</b>	<b>9,997,529</b>
<b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	72,376	70,213
Employer contributions - other funds	-	-
	<b>72,376</b>	<b>70,213</b>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	426,396	506,205
Employer contributions - other funds	179,207	201,166
	<b>605,603</b>	<b>707,371</b>
Employer contributions payable at reporting date.	-	-
Refer to note 33 for further information relating to Council's superannuation obligations.		

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>Note 11 Materials and services</b>		
Materials and Services	8,995,048	9,560,410
Utilities	398,009	389,300
Information Systems & Communications	520,932	608,744
Printing and Stationery	114,008	160,150
Postage	37,600	42,149
Legal Fees	93,584	110,258
Insurances	290,869	306,389
Community assets not controlled by Council	628,502	676,540
<b>Total materials and services</b>	<b><u>11,078,552</u></b>	<b><u>11,853,940</u></b>
<b>Note 12 Bad and doubtful debts</b>		
Other debtors	(12,388)	12
<b>Total bad and doubtful debts</b>	<b><u>(12,388)</u></b>	<b><u>12</u></b>
<b>Note 13 Depreciation</b>		
Property	776,922	716,017
Plant and equipment	439,476	510,951
Furniture and equipment	234,952	303,447
Leased plant and equipment	-	17,984
Infrastructure	3,668,842	3,246,146
<b>Total depreciation</b>	<b><u>5,120,192</u></b>	<b><u>4,794,545</u></b>
<i>Refer to note 23 for a more detailed breakdown of depreciation and amortisation charges</i>		
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	122,433	151,798
Interest - Leases	-	1,051
<b>Total borrowing costs</b>	<b><u>122,433</u></b>	<b><u>152,849</u></b>
<b>Note 15 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	43,423	31,005
Auditors' remuneration - Internal	46,004	41,403
Councillors' allowances	157,493	152,269
Other Councillor expenses	41,100	35,384
<b>Total other expenses</b>	<b><u>288,020</u></b>	<b><u>260,061</u></b>

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 16 Investments in associates

Investments in associates accounted for by the equity method are:

#### Goulburn Valley Regional Library Corporation

The Goulburn Valley Regional Library Corporation was formed under the provisions of section 196 of the Local Government Act 1989 on 15/09/2009 to provide library services within the local government area of Strathbogrie Shire, Moira Shire and City of Greater Shepparton. Council holds 9.89% (2015 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.

#### Fair value of Council's investment in Goulburn Valley Regional Library Corporation

##### Council's share of accumulated surplus/(deficit)

Council's share of accumulated surplus/(deficit) at start of year

Reported (deficit)/surplus for year

Transfers (to)/from reserves

Distributions for the year

Council's share of accumulated surplus/(deficit) at end of year

##### Council's share of reserves

Council's share of reserves at start of year

Transfers (to)/from reserves

Council's share of reserves at end of year

##### Movement in carrying value of specific investment

Carrying value of investment at start of year

Share of (deficit)/surplus for year

Share of asset revaluation

Distributions received

Carrying value of investment at end of year

##### Council's share of expenditure commitments

Operating commitments

Capital commitments

Council's share of expenditure commitments

##### Council's share of contingent liabilities and contingent assets

	2016 \$	2015 \$
	241,520	244,841
	<u>241,520</u>	<u>244,841</u>
	244,841	223,650
	(3,321)	21,191
	-	-
	-	-
	<u>241,520</u>	<u>244,841</u>
	-	-
	-	-
	-	-
	-	-
	<u>241,520</u>	<u>244,841</u>
	-	-
	-	-
	-	-
	-	-
	<u>241,520</u>	<u>244,841</u>
	-	-
	-	-
	-	-
	-	-
	<u>241,520</u>	<u>244,841</u>

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2,016	2,015
	\$	\$
<b>Note 17 Cash and cash equivalents</b>		
Cash on hand	4,128	1,660
Cash at bank	964,014	2,886,548
Term deposits	8,411,836	7,100,000
	<u>9,379,978</u>	<u>9,988,208</u>
	762,242	495,673
	<u>762,242</u>	<u>495,673</u>
	<u>8,617,736</u>	<u>9,492,535</u>
	1,855,000	1,024,000
	100,400	100,400
	600,000	600,000
	<u>2,555,400</u>	<u>1,724,400</u>
	1,114,050	1,036,199
	363,340	344,197
	353,143	169,473
	(7,025)	(20,298)
	<u>1,823,508</u>	<u>1,529,571</u>
	124,312	128,023
	20,131	31,495
	207,245	7,858
	-	2,096
	1,455	-
	<u>353,143</u>	<u>169,472</u>
	(20,298)	(20,298)
	-	-
	884	-
	12,389	-
	<u>(7,025)</u>	<u>(20,298)</u>

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

- Trust funds and deposits (Note 25)

Total restricted funds

Total unrestricted cash and cash equivalents

### Intended allocations

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

- Cash held to fund carried forward capital works

- open space reserve

- bridge replacement reserve

Total funds subject to intended allocations

Refer also to Note 19 for details of other financial assets held by Council.

### Note 18 Trade and other receivables

#### Current

Rates debtors

Net GST receivable

Other debtors

Provision for doubtful debts - other debtors

**Total current trade and other receivables**

#### (a) Ageing of Receivables

At balance date other debtors representing financial assets were past due but not impaired. These amounts relate to a number of independent customers for whom there is no recent history of default.

The ageing of the Council's trade & other receivables (excluding statutory receivables) was:

Current (not yet due)

Past due by up to 30 days

Past due between 31 and 180 days

Past due between 181 and 365 days

Past due by more than 1 year

Total trade & other receivables

#### (b) Movement in provisions for doubtful debts

Balance at the beginning of the year

New Provisions recognised during the year

Amounts already provided for and written off as uncollectible

Amounts provided for but recovered during the year

Balance at end of year



## Notes to the Financial Report

For the Year Ended 30 June 2016

<b>Note 19 Other financial assets</b>		
Current	1,200,000	1,200,000
Term Deposits over 90 days		
<b>Total Current other financial assets</b>	<b>1,200,000</b>	<b>1,200,000</b>
Non Current	2,032	2,032
Share in MAV Purchasing Scheme		
<b>Total Non-current other financial assets</b>	<b>2,032</b>	<b>2,032</b>
<b>Total other financial assets</b>	<b>1,202,032</b>	<b>1,202,032</b>
<b>Note 20 Inventories</b>		
Inventories held for distribution	5,989	3,419
<b>Total inventories</b>	<b>5,989</b>	<b>3,419</b>
<b>Note 21 Non-current assets classified as held for sale</b>		
Written down value less cost to sell	1,737,974	-
<b>Total Non-current assets classified as held for sale</b>	<b>1,737,974</b>	<b>-</b>
<b>Note 22 Other assets</b>		
Prepayments	89,316	84,572
Accrued income	23,585	1,015,981
<b>Total other assets</b>	<b>112,901</b>	<b>1,100,553</b>

Note Term Deposits (note 17) at 30 June 2015 have been amended appear as Term Deposits over 90 days (note 19) in order to meet the requirements of the model report regarding term deposits over 90 days

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## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 23 Property, infrastructure, plant and equipment

#### Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Accumulated Depreciation	WDV 30 June 2016	At Fair Value 30 June 2015	Accumulated Depreciation	WDV 30 June 2015
Land	29,822,386	-	29,822,386	30,067,172	-	30,067,172
Buildings	76,508,594	(30,934,892)	45,573,702	62,153,769	(26,382,894)	35,770,875
Plant and Equipment	8,537,732	(5,604,006)	2,933,726	8,082,468	(5,332,430)	2,750,038
Infrastructure	279,944,263	(84,373,571)	195,570,692	275,734,344	(81,042,634)	194,691,710
Work in progress	550,873	-	550,873	685,254	-	685,254
	<u>385,363,848</u>	<u>(120,912,469)</u>	<u>274,451,379</u>	<u>376,723,007</u>	<u>(112,757,958)</u>	<u>263,965,049</u>

#### Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	676,074	1,332,578	(1,578,653)	(765)	429,234
Infrastructure	9,180	6,100,518	(5,983,304)	(4,755)	121,639
Total	<u>685,254</u>	<u>7,433,096</u>	<u>(7,561,957)</u>	<u>(5,520)</u>	<u>550,873</u>

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 23 Property, infrastructure, plant and equipment (cont'd)

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
<b>Land and Buildings</b>									
At fair value 1 July 2015	23,342,587	6,724,585	-	30,067,172	60,304,074	1,849,695	62,153,769	676,074	92,897,015
Accumulated depreciation at 1 July 2015	-	-	-	-	(25,410,540)	(972,354)	(26,382,894)	-	(26,382,894)
	23,342,587	6,724,585	-	30,067,172	34,893,534	877,341	35,770,875	676,074	66,514,121
<b>Movements in fair value</b>									
Acquisition of assets at fair value	275,495	-	506,120	781,615	1,353,158	-	1,353,158	(246,839)	1,887,934
Revaluation increments/decrements	712,802	14,982	-	727,784	15,655,599	1,160,665	16,816,264	-	17,544,048
Fair value of assets disposed	(319,185)	-	-	(319,185)	-	-	-	-	(319,185)
Less items held for resale (see note 21)	(115,000)	(1,320,000)	-	(1,435,000)	(684,190)	-	(684,190)	-	(2,119,190)
Impairment losses recognised in operating result	-	-	-	-	(831,464)	-	(831,464)	-	(831,464)
Transfers	(55,920)	-	55,920	-	(2,298,943)	-	(2,298,943)	-	(2,298,943)
	498,192	(1,305,018)	562,040	(244,786)	13,194,160	1,160,665	14,354,825	(246,839)	13,863,200
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(776,922)	-	(776,922)	-	(776,922)
Revaluation increments/decrements	-	-	-	-	(6,543,398)	(23,133)	(6,566,531)	-	(6,566,531)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Less items held for resale (see note 21)	-	-	-	-	342,095	-	342,095	-	342,095
Impairment losses recognised in operating result	-	-	-	-	831,464	-	831,464	-	831,464
Transfers	-	-	-	-	1,617,896	-	1,617,896	-	1,617,896
	-	-	-	-	(4,528,865)	(23,133)	(4,551,998)	-	(4,551,998)
At fair value 30 June 2016	23,840,779	5,419,567	562,040	29,822,386	73,498,234	3,010,360	76,508,594	429,235	106,760,215
Accumulated depreciation at 30 June 2016	-	-	-	-	(29,939,405)	(995,487)	(30,934,892)	-	(30,934,892)
	23,840,779	5,419,567	562,040	29,822,386	43,558,829	2,014,873	45,573,702	429,235	75,825,323

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 23 Property, infrastructure, plant and equipment (cont'd)

Plant and Equipment	Note	Plant machinery and equipment	Furniture and equipment	Total plant and equipment
At fair value 1 July 2015		5,553,513	2,528,955	8,082,468
Accumulated depreciation at 1 July 2015		(3,284,817)	(2,047,613)	(5,332,430)
		<u>2,268,696</u>	<u>481,342</u>	<u>2,750,038</u>
<b>Movements in fair value</b>				
Acquisition of assets at fair value		633,098	299,711	932,809
Revaluation increments/decrements		-	-	-
Fair value of assets disposed		(643,198)	-	(643,198)
Impairment losses recognised in operating result		-	-	-
Transfers		165,654	-	165,654
		<u>155,554</u>	<u>299,711</u>	<u>455,265</u>
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation		(439,476)	(234,952)	(674,428)
Revaluation increments/decrements		-	-	-
Accumulated depreciation of disposals		445,103	-	445,103
Impairment losses recognised in operating result		-	-	-
Transfers		(42,251)	-	(42,251)
		<u>(36,624)</u>	<u>(234,952)</u>	<u>(271,576)</u>
At fair value 30 June 2016		5,709,067	2,828,666	8,537,733
Accumulated depreciation at 30 June 2016		(3,321,441)	(2,282,565)	(5,604,006)
		<u>2,387,626</u>	<u>546,101</u>	<u>2,933,727</u>

Notes to the Financial Report  
For the Year Ended 30 June 2016

Note 23	Property, infrastructure, plant and equipment (cont'd)	Note	Infrastructure							Total Infrastructure	
			Roads	Bridges and culverts	Footpaths	Drainage	Kerb and channel	Open Space Assets	Cultural and Heritage Assets		Work In Progress
	At fair value 1 July 2015 (i)		175,939,972	74,534,589	2,243,639	12,779,756	6,092,218	4,144,170	-	9,180	275,743,524
	Accumulated depreciation at 1 July 2015 (i)		(48,041,790)	(24,911,449)	(827,559)	(4,335,387)	(2,425,053)	(501,396)	-	-	(81,042,634)
			127,898,182	49,623,140	1,416,080	8,444,369	3,667,165	3,642,774	-	9,180	194,700,890
	<b>Movements in fair value</b>										
	Acquisition of assets at fair value		3,991,043	744,550	506,095	802,645	287,216	-	-	112,458	6,444,007
	Revaluation increments/decrements		-	-	953,755	-	-	318,000	148,305	-	1,420,060
	Fair value of assets disposed		(3,375,037)	(2,270,640)	-	-	-	(29,302)	-	-	(5,674,979)
	Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-
	Transfers		-	-	-	-	-	1,697,482	435,807	-	2,133,289
			616,006	(1,526,090)	1,459,850	802,645	287,216	1,986,180	584,112	112,458	4,322,377
	<b>Movements in accumulated depreciation</b>										
	Depreciation and amortisation		(2,323,241)	(765,621)	(74,811)	(172,515)	(105,769)	(275,862)	-	-	(3,717,819)
	Revaluation increments/decrements		-	-	(395,435)	-	-	(450,100)	-	-	(845,535)
	Accumulated depreciation of disposals		1,875,888	925,035	-	-	-	5,162	-	-	2,806,085
	Impairment losses recognised in operating result		-	-	-	-	-	-	-	-	-
	Transfers		-	-	-	-	-	(1,573,668)	-	-	(1,573,668)
			(447,353)	159,414	(470,246)	(172,515)	(105,769)	(2,294,468)	-	-	(3,330,937)
	At fair value 30 June 2016		176,555,978	73,008,499	3,703,489	13,582,401	6,379,434	6,130,350	584,112	121,638	280,065,901
	Accumulated depreciation at 30 June 2016		(48,489,143)	(24,752,035)	(1,297,805)	(4,507,902)	(2,530,822)	(2,795,864)	-	-	(84,373,571)
			128,066,835	48,256,464	2,405,684	9,074,499	3,848,612	3,334,486	584,112	121,638	195,692,330

(i) The infrastructure fair value and accumulated depreciation opening balances at 1 July 2015 have been amended to correct errors in the compilation of Note 23 for the year ended 30 June 2015. For the year ended 30 June 2015 the revaluation movements for infrastructure assets at fair value and infrastructure accumulated depreciation were incorrectly combined and applied to assets at fair value only. The written down value of the respective infrastructure asset categories is unchanged, however, there are compensating adjustments to the fair value and accumulated depreciation components. The amendments are made in accordance with AASB108.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 23 Property, infrastructure, plant and equipment cont'd

#### Valuation of land and buildings

Valuation of land and buildings were undertaken by a qualified independent valuer Marcus Hann, registration no. 62901. 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.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land	-	5,420	-
Specialised Land	-	-	23,841
Land Under Roads	-	-	562
Buildings	-	2,015	-
Specialised Buildings	-	-	43,559
Total Land and Buildings	-	7,434	67,962

#### Valuation of infrastructure

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. Valuation of infrastructure assets at 30 June 2015 was made by Roy Hetherington, Certified Municipal Engineer.

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 2016 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Roads	-	-	128,067
Bridges and culverts	-	-	48,256
Footpaths	-	-	2,406
Drainage	-	-	9,074
Kerb and channel	-	-	3,849
Open space assets	-	-	3,334
Cultural and heritage assets	-	-	584
Total Infrastructure	-	-	195,571

## Notes to the Financial Report

For the Year Ended 30 June 2016

**Note 23 Property, infrastructure, plant and equipment cont'd**

*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 85% 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 \$0.48 and \$565 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 \$200 to \$7,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of 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 18 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

### Reconciliation of specialised land

Parks and reserves	17,569,681	17,681,146
Waste Management	853,801	833,145
Civic Centres	2,230,707	1,808,207
Council Depots	613,849	572,376
Caravan Parks	1,900,420	1,819,190
Pre Schools	364,000	341,000
Saleyards	308,321	287,523
<b>Total specialised land</b>	<b>23,840,779</b>	<b>23,342,587</b>

2016 \$

2015 \$

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016 \$	2015 \$
<b>Note 24 Trade and other payables</b>		
Trade payables	2,337,505	2,136,634
Accrued expenses	375,044	606,745
<b>Total trade and other payables</b>	<b>2,712,549</b>	<b>2,743,379</b>
<b>Note 25 Trust funds and deposits</b>		
<b>Current</b>		
Refundable deposits	29,937	32,738
Fire services levy	448,282	3,906
Retention amounts	68,440	105,084
Other refundable deposits	215,583	353,945
<b>Total trust funds and deposits - Current</b>	<b>762,242</b>	<b>495,673</b>
<b>Non-current</b>		
Trust funds bequeathed	67,980	67,980
<b>Total trust funds and deposits - Non-current</b>	<b>67,980</b>	<b>67,980</b>

*Purpose and nature of items*

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

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

Retention Amounts - Council has a contractual right to retain certain amounts until a contractor has met certain requirements or a related warrant or defect period has elapsed. Subject to the satisfactory completion of the contractual obligations, or the elapsing of time, these amounts will be paid to the relevant contractor in line with Council's contractual obligations.

Trust funds bequeathed are the William Pearson Bequest and the Tas Crosbie Bequest. These are trust funds held by Council for the purpose of distributing the interest earned on the funds for the benefit of specified community organisations.

**Note 26 Provisions**

	Employee	Landfill restoration	Total
<b>2016</b>			
Balance at beginning of the financial year	\$ 2,633,013	\$ 1,656,062	\$ 4,289,075
Additional provisions	838,168	54,549	892,717
Amounts used	(934,282)	(54,549)	(988,831)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate			
Balance at the end of the financial year	<b>2,536,899</b>	<b>1,656,062</b>	<b>4,192,961</b>
<b>2015</b>			
Balance at beginning of the financial year	2,426,869	1,083,471	3,510,340
Additional provisions	912,474	572,591	1,485,065
Amounts used	(706,330)	-	(706,330)
Increase in the discounted amount arising because of time and the effect of any change in the discount rate			
Balance at the end of the financial year	<b>2,633,013</b>	<b>1,656,062</b>	<b>4,289,075</b>



## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>(a) Employee provisions</b>		
<b>Current provisions expected to be wholly settled within 12 months</b>		
Annual leave	648,277	688,207
Long service leave	276,777	228,949
Other	18,170	18,083
	<u>943,224</u>	<u>935,239</u>
<b>Current provisions expected to be wholly settled after 12 months</b>		
Annual leave	249,260	275,938
Long service leave	1,155,663	1,205,875
	<u>1,404,923</u>	<u>1,481,813</u>
<b>Total current employee provisions</b>	<u>2,348,147</u>	<u>2,417,052</u>
<b>Non-current</b>		
Long service leave	188,752	215,961
<b>Total non-current employee provisions</b>	<u>188,752</u>	<u>215,961</u>
<b>Aggregate carrying amount of employee provisions:</b>		
Current	2,348,147	2,417,052
Non-current	188,752	215,961
<b>Total aggregate carrying amount of employee provisions</b>	<u>2,536,899</u>	<u>2,633,013</u>

## Notes to the Financial Report

For the Year Ended 30 June 2016

<b>Note 26</b>	<b>Provisions (cont'd)</b>		
	<b>(b) Land fill restoration</b>		
	Current	690,000	690,000
	Non-current	966,062	966,062
		<u>1,656,062</u>	<u>1,656,062</u>
<b>Note 27</b>	<b>Interest-bearing loans and borrowings</b>		
	<b>Current</b>		
	Borrowings - secured (1)	488,195	637,658
		<u>488,195</u>	<u>637,658</u>
	<b>Non-current</b>		
	Borrowings - secured (1)	1,202,063	1,477,422
		<u>1,202,063</u>	<u>1,477,422</u>
	<b>Total</b>	<u>1,690,258</u>	<u>2,115,080</u>
	(1) Borrowings are secured by securities on the general rates of the Council		
	(a) The maturity profile for Council's borrowings is:		
	Not later than one year	488,195	637,658
	Later than one year and not later than five years	921,295	1,108,882
	Later than five years	280,768	368,540
		<u>1,690,258</u>	<u>2,115,080</u>

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 28 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
<b>(a) Asset revaluation reserves</b>			
<b>2016</b>			
<b>Property</b>			
Land	24,266,222	727,784	24,994,006
Buildings	32,203,619	10,249,733	42,453,352
	56,469,841	10,977,517	67,447,358
<b>Infrastructure</b>			
Roads	87,967,661	-	87,967,661
Bridges and culverts	34,019,737	(361)	34,019,376
Footpaths	720,837	558,320	1,279,157
Drainage	3,976,945	360	3,977,305
Kerb and channel	3,011,415	-	3,011,415
Open space and cultural heritage	-	16,205	16,205
	129,696,595	574,524	130,271,119
<b>Total asset revaluation reserves</b>	<b>186,166,436</b>	<b>11,552,041</b>	<b>197,718,477</b>
<b>2015</b>			
<b>Property</b>			
Land	24,266,222	-	24,266,222
Buildings	32,203,619	-	32,203,619
	56,469,841	-	56,469,841
<b>Infrastructure</b>			
Roads	78,385,078	9,582,583	87,967,661
Bridges and culverts	16,376,660	17,643,077	34,019,737
Footpaths	938,377	(217,540)	720,837
Drainage	4,491,417	(514,472)	3,976,945
Kerb and channel	2,825,782	185,633	3,011,415
	103,017,314	26,679,281	129,696,595
<b>Total asset revaluation reserves</b>	<b>159,487,155</b>	<b>26,679,281</b>	<b>186,166,436</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Balance at end of reporting period
	\$	\$	\$
<b>(b) Other reserves</b>			
<b>2016</b>			
Bridge replacement reserve	600,000	-	600,000
Open space reserve	100,400	-	100,400
<b>Total Other reserves</b>	<b>700,400</b>	<b>-</b>	<b>700,400</b>
<b>2015</b>			
Bridge replacement reserve	600,000	-	600,000
Open space reserve	100,400	-	100,400
<b>Total Other reserves</b>	<b>700,400</b>	<b>-</b>	<b>700,400</b>

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>Note 29 Reconciliation of cash flows from operating activities to (deficit)/surplus</b>		
(Deficit)/surplus for the year	(345,236)	5,094,869
Depreciation	5,120,192	4,794,545
Loss on disposal of property, infrastructure, plant and equipment	2,936,102	314,141
Borrowing costs	122,433	152,849
Trust funds and other deposits repaid	266,568	15,459
Share of net loss of associates	3,321	(21,191)
Found assets/non-monetary contributions	(1,788,194)	(35,672)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	(281,549)	(71,754)
(Increase)/decrease in other assets	987,652	(976,568)
Increase/(decrease) in trade and other payables	(74,003)	81,188
(Increase)/decrease in inventories	(2,570)	6,488
Increase/(Decrease) in provisions	(108,502)	778,735
Net cash provided by operating activities	<u>6,836,214</u>	<u>10,133,089</u>
<b>Note 30 Financing arrangements</b>		
Bank overdraft	1,145,000	1,145,000
Loan facilities	1,335,775	1,710,992
Lease facilities	500,000	500,000
Credit Cards	100,000	100,000
Total facilities	<u>3,080,775</u>	<u>3,455,992</u>
Used facilities	<u>(1,330,147)</u>	<u>(1,667,189)</u>
Unused facilities	<u>1,750,628</u>	<u>1,788,803</u>

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 31 Commitments

The Council has entered into the following commitments

2016	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	1,172,394	1,219,290	3,958,381	4,452,640	10,802,705
Garbage collection	474,682	495,676	1,620,570	1,838,018	4,428,946
Open space management	416,249	116,094	-	-	532,343
Cleaning contracts for council buildings	9,350	2,338	-	-	11,688
VEC (Victorian Electoral Commission)	106,988	-	-	-	106,988
<b>Total</b>	<b>2,179,663</b>	<b>1,833,398</b>	<b>5,578,951</b>	<b>6,290,658</b>	<b>15,882,670</b>
<b>Capital</b>					
Buildings	282,675	-	-	-	282,675
Drainage	218,906	-	-	-	218,906
<b>Total</b>	<b>501,581</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>501,581</b>

2015	Not later than 1	Later than 1 year	Later than 2 years	Later than 5	Total
	year	and not later than 2 years	and not later than 5 years	years	
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	1,127,302	1,172,394	3,806,135	5,824,175	11,930,006
Garbage collection	454,983	474,682	1,553,012	2,401,251	4,883,928
Open space management	338,914	331,274	28,570	-	698,758
Consultancies	115,280	37,400	-	-	152,680
Cleaning contracts for council buildings	146,821	9,350	2,337	-	158,508
<b>Total</b>	<b>2,183,300</b>	<b>2,025,100</b>	<b>5,390,054</b>	<b>8,225,426</b>	<b>17,823,880</b>
<b>Capital</b>					
Roads	608,938	-	-	-	608,938
Bridges	295,588	-	-	-	295,588
<b>Total</b>	<b>904,526</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>904,526</b>

## Notes to the Financial Report

For the Year Ended 30 June 2016

	2016	2015
	\$	\$
<b>Note 32 Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	87,119	87,119
Later than one year and not later than five years	302,065	325,890
Later than five years	-	63,295
	<u>389,184</u>	<u>476,304</u>

### Note 33 Superannuation

Council makes the majority of its employer superannuation contributions in respect of its employees to the Local Authorities Superannuation Fund (the Fund). This Fund has two categories of membership, accumulation and defined benefit, each of which is funded differently. Obligations for contributions to the Fund are recognised as an expense in the Comprehensive Income Statement when they are made or due.

#### Accumulation

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2016, this was 9.5% as required under Superannuation Guarantee legislation).

#### Defined Benefit

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

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

#### Funding arrangements

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

As at 30 June 2015, 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 105.8%. To determine the VBI, the fund Actuary used the following long-term assumptions:

Net investment returns 7.0% pa  
 Salary information 4.25% pa  
 Price inflation (CPI) 2.5% pa.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 33 Superannuation (cont'd)

Vision Super has advised that the estimated VBI at quarter ended June 2016 was 102.0%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 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 2015 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2016, this rate was 9.5% of members' salaries (9.5% in 2014/2015). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

#### Funding calls

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

In the event that the Fund Actuary determines that there is a shortfall based on the above requirement, the Fund's participating employers (including Council) are required to make an employer contribution to cover the shortfall. Using the agreed methodology, the shortfall amount is apportioned between the participating employers based on the pre-1 July 1993 and post-30 June 1993 service liabilities of the Fund's Defined Benefit category, together with the employer's payroll at 30 June 1993 and at the date the shortfall has been calculated.

Due to the nature of the contractual obligations between the participating employers and the Fund, and that the Fund includes lifetime pensioners and their reversionary beneficiaries, it is unlikely that the Fund will be wound up. If there is a surplus in the Fund, the surplus cannot be returned to the participating employers. In the event that a participating employer is wound-up, the defined benefit obligations of that employer will be transferred to that employer's successor.

#### 2015 Interim actuarial investigation surplus amounts

The Fund's interim actuarial investigation as at 30 June 2015 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$130.8 million; and
- A total service liability surplus of \$239 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2015. 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. Council was notified of the 30 June 2015 VBI during August 2015.

#### Future superannuation contributions

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2017 is \$112,850.

### Note 34 Contingent liabilities and contingent assets

#### Defined Benefit 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 in Note 33. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

#### Landfill

Council did operate a landfill which is now closed. Council intends to carry out site rehabilitation works in the coming year. At balance date Council is unable to accurately assess the financial implications of such works. Refer to provision raised in Note 26 (b).

An environmental audit report dated 5 July 2016 relating to the Violet Town landfill site is currently being assessed and may impact the costs of future monitoring. Any additional costs are not expected to be material but will be considered in the estimation of the landfill provision for 30 June 2017.

#### Bank Guarantees

Council has 2 outstanding bank guarantees in favour of Goulburn Valley Water in relation to the construction of sewerage infrastructure in Graham Street, Euroa (\$11,400) and Drysdale Road, Euroa (\$10,253)

#### Contingent assets

Council has no contingent assets at reporting date.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 35

#### Financial instruments

##### (a) Objectives and policies

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

##### (b) Market risk

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

##### Interest rate risk

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

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

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

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

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

##### (c) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause Council to make a financial loss. Council have exposure to credit risk on some financial assets included in the balance sheet. To help manage this risk:

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

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

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

Council may also be subject to credit risk for transactions which are not included in the balance sheet, such as when Council provide a guarantee for another party. Details of our contingent liabilities are disclosed in Note 34.

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:

- targets a minimum and average level of cash and cash equivalents to be maintained in its Strategic Resource Plan;
- has readily accessible standby facilities and other funding arrangements in place;
- has an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets 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 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

With the exception of borrowings, all financial liabilities are expected to be settled within normal terms of trade. Details of the maturity profile for borrowings are disclosed at Note 27.

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



## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 35 Financial instruments (cont'd)

#### (e) Fair value

##### *Fair value hierarchy*

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

#### (f) Sensitivity disclosure analysis

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

- A parallel shift of + 1% and -1% in market interest rates (AUD) from year-end rates of 2.77%.

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.

## Notes to the Financial Report

For the Year Ended 30 June 2016

### Note 36 Related party transactions

#### (i) Responsible Persons

Names of persons holding the position of a Responsible Person at the Council at any time during the year are:

<b>Councillors</b>	Colleen Furlanetto (Mayor) Malcolm Little (Councillor) Alister Purbrick (Councillor) Pat Storer (Councillor) Debra Swan (Councillor) Robin Weatherald (Councillor) Graeme (Mick) Williams (Councillor)
<b>Chief Executive Officer</b>	Steve Crawcour

#### (ii) Remuneration of Responsible Persons

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

	2016 No.	2015 No.
\$10,000 - \$19,999	-	-
\$20,000 - \$29,999	5	6
\$30,000 - \$39,999	2	-
\$40,000 - \$49,999	-	1
\$210,000 - \$219,999	-	1
\$220,000 - \$229,999	1	-
	<u>8</u>	<u>8</u>

Total Remuneration for the reporting year for Responsible Persons included above amounted to:

397,449	381,494
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#### (iii) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council who:

- has management responsibilities and reports directly to the Chief Executive; or
- whose total annual remuneration exceeds \$139,000

The number of Senior Officers other than the Responsible Persons, are shown below in their relevant income bands:

Income Range:	2016 No.	2015 No.
\$136,000 - \$139,999	1	-
\$140,000 - \$149,999	1	2
\$150,000 - \$159,999	-	-
\$160,000 - \$169,999	1	2
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	1	-
	<u>5</u>	<u>5</u>

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

811,727	791,350
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#### (iv) Responsible persons retirement benefits

The aggregate amount paid during the reporting period by Council in connection with the retirement of responsible persons was nil (2014/15 - nil)

## Notes to the Financial Report

For the Year Ended 30 June 2016

### **Note 36 Related party transactions (cont'd)**

#### **(v) Loans to responsible persons**

No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2014/15 nil).

#### **(vi) Transactions with responsible persons**

No transactions other than remuneration payments or the reimbursement of approved expenses were entered into by Council with Responsible Persons, or Related Parties of such Responsible Persons during the reporting year (2014/15 nil).

### **Note 37 Events occurring after balance date**

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

## CERTIFICATION OF THE FINANCIAL STATEMENTS

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



David Woodhams FCPA  
Principal Accounting Officer

Date : 19 September 2016

Euroa, Victoria

In our opinion the accompanying financial statements present fairly the financial transactions of <Name> for the year ended 30 June 2016 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.



Colleen Furlanetto  
Councillor

Date : 19 September 2016

Euroa, Victoria



Malcolm Little  
Councillor

Date : 19 September 2016

Euroa, Victoria



Steve Crawcour  
Chief Executive Officer

Date : 19 September 2016

Euroa, Victoria



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## INDEPENDENT AUDITOR'S REPORT

### To the Councillors, Strathbogie Shire Council

#### *The Financial Report*

I have audited the accompanying financial report for the year ended 30 June 2016 of the Strathbogie Shire Council which comprises the comprehensive income statement, balance sheet, statement of changes in equity, statement of cash flows, statement of capital works, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial statements.

#### *The Councillors' Responsibility for the Financial Report*

The Councillors of the Strathbogie Shire Council are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

The Councillors are responsible for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

As required by the *Audit Act 1994* and the *Local Government Act 1989*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Councillors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Independent Auditor's Report (continued)


### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, I and my staff and delegates complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

### *Opinion*

In my opinion the financial report presents fairly, in all material respects, the financial position of the Strathbogie Shire Council as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Local Government Act 1989*.

MELBOURNE  
27 September 2016

  
F. Andrew Greaves  
Auditor-General







The Strathbogie Shire Council encourages feedback on its Annual Report via email to [info@strathbogie.vic.gov.au](mailto:info@strathbogie.vic.gov.au) or by telephone on 1800 065 993.

Strathbogie Shire is committed to providing accessible services to its local residents from all culturally and linguistically diverse backgrounds.

If you have difficulty in understanding the Annual Report, you can contact us on 1800 065 993 and we will arrange an interpreter to effectively communicate the report to you.



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