

FINANCIAL REPORTS

**Strathbogie Shire Council
STANDARD STATEMENTS
For the Year Ended 30 June 2012**

Notes		Page
	Basis of preparation of Standard Statements	3
	Standard Income Statement	4
1 - 11	Standard Income Statement - Variance Explanation Report	5
	Standard Balance Sheet	7
12 - 20	Standard Balance Sheet - Variance Explanation Report	8
	Standard Cash Flows Statement	9
21 - 34	Standard Cash Flows Statement - Variance Explanation Report	10
	Standard Statement of Capital Works	11
35 - 43	Standard Statement of Capital Works - Variance Explanation Report	12
	Certification of Standard Statements	13

Notes to the Standard Statements

1 Basis of preparation of Standard Statements

Council is required to prepare and include audited Standard Statements within its Annual Report.

These statements and supporting notes form a special purpose financial report prepared to meet the requirements of the Local Government Act 1989 and Local Government (Finance and Reporting) Regulations 2004.

The Standard Statements have been prepared on an accounting basis consistent with those used for General Purpose Financial Report and the Budget. The result reported in these statements are consistent with those reported in the General Purpose Financial Report.

The Standard Statements are not a substitute for the General Purpose Financial Report, which are included in the Annual Report immediately following these Standard Statements. They have not been prepared in accordance with all Australian Accounting Standards or other authoritative professional pronouncements.

The Standard Statements compare council's financial plan, expressed through its budget, with actual performance. The Local Government Act 1989 requires explanation of any material variances. The Council has adopted a materiality threshold of 10 per cent. 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 included in the Standard Statements are those adopted by Council on the 26th July, 2011. The budget was based on assumptions that were relevant at the time of adoption of the budget. The Council set guidelines and parameters for revenue and expense targets in this budget in order to meet Council plan 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 predictable.

Detailed information on the actual financial results are contained in the General Purpose Financial report which can be found immediately following these Standard Statements. The detailed budget can be obtained by contacting council or through the council's website. The Standard Statements must be read with reference to these documents.

Standard Income Statement For the Year Ended 30 June 2012

	Budget	Actuals	Variances		Note
	2011/2012	2011/2012			
	\$	\$	\$	%	
Revenue					
Rates and charges	13,033,200	12,960,775	(72,425)	(0.6)	
Statutory fees and fines	248,000	252,480	4,480	1.8	
User fees	1,123,500	1,231,384	107,884	9.6	
Contributions	250,000	304,083	54,083	21.6	1
Contributions - Non cash	-	1,873,728	1,873,728	100.0	2
Grants - Recurrent	5,065,008	7,133,879	2,068,871	40.8	3
Grants - Non-recurrent	4,684,492	5,355,349	670,857	14.3	4
Other revenue	241,300	578,357	337,057	139.7	5
Net gain(loss) on disposal of property, plant and equipment	-	161,318	161,318	100.0	6
Total revenue	24,645,500	29,851,353	5,205,853		
Expenses					
Employee benefits	(9,025,500)	(9,460,224)	(434,724)	(4.8)	
Vision Super Defined Benefits unfunded Liability	-	(1,263,958)	(1,263,958)	100.0	7
Materials and services	(8,602,800)	(8,403,474)	199,326	2.3	
Bad and doubtful debts	(2,000)	-	2,000	100.0	8
Depreciation and amortisation	(4,345,000)	(4,384,473)	(39,473)	(0.9)	
Share of net profits (losses) of associates	(15,000)	(20,550)	(5,550)	(37.0)	9
Finance Costs	(231,600)	(182,719)	48,881	21.1	10
Other Expenses	(158,200)	(435,204)	(277,004)	(175.1)	11
Total expenses	(22,380,100)	(24,150,602)	(1,770,502)		
Surplus(deficit) for the year	2,265,400	5,700,751	3,435,351		

Standard Income Statement - Variance Explanation Report For the Year Ended 30 June 2012

Note	Item	Explanation
1	Contributions - Cash	This variance is due to two unbudgeted contributions. Council received a contribution towards a street construction \$23,500, also monies held in trust for capital works at the Euroa Caravan Park were transferred to income and used in conjunction with grant funding towards improvement works at the Euroa caravan park.
2	Contributions - Non Cash	During the financial year Council received the following non cash contributions not provided in budget. Land in Longwood, including the five residential units situated on it \$260,000, and asset contributions in the form of roads \$1,534,171, footpaths \$35,475, and kerb and channel \$44,082 were transferred to Council.
3	Grants - Recurrent	The favourable variance of \$2,068,871 is due to a number of variances in Grant funding including the early receipt of \$2,261,942 which is 50% of the Grants Commission funding that is part of the 2012/13 allocation. The next four instalments from the Grants Commission will be lower to reflect this early payment. Other unbudgeted grants received include: Youth Tailored Sound \$11,000, Regional Victorian Living Expo \$20,000, Euroa Farmers Market \$25,000, Environmental Strategy Project \$30,000, Implementation of Violet Town Floodplain Management \$10,000, CFA Municipal Fire Management Plan \$5,000, Heritage Study \$8,000, Vic Roads L2P Funding \$6,750 and HACC Minor Works funding \$23,500. There were also a number of Grants Council provided in budget that were not received including repositioning Nagambie Post Bypass \$50,000 and Boating Strategy Implementation \$10,000. Additionally there are Grants received that were less than provided in budget and these amounts include: Fire Access \$10,200, Boating Safety and Facilities \$8,000, Goulburn Making the Link Mentoring Project \$22,000, Pests and Plants \$14,500, and Municipal Planning (Early Years) \$11,500. The budget also classified Community Care Packages of \$95,000 as grants that were treated in the financial report as User Fees. There were also variances in grant funding due to grants received that were capital in nature but were classified as recurrent in Councils budget.
4	Grants - Non Recurrent	The favourable variance of \$670,857 is primarily due to Council receiving unbudgeted funding under the Local Government Infrastructure Program 2011-15 of \$469,000 and an advance payment of \$315,500 for the Violet Town Landfill. Other grants received not provided in budget include: Avenel Recreation Reserve Stage 1 \$120,000, Euroa Memorial Oval Lighting Upgrade \$18,600, Longwood Netball Court Reconstruction \$5,000, Violet Town Tennis Court Resurfacing \$44,800 and Euroa Flood Mitigation Works \$102,200. Council also received a payment of \$677,500 under Natural Disaster Funding in relation to the February 2012 flood damage. There were also a number of Grants Council provided in budget that were not received including : Creightons Creek Road upgrade \$400,000, and the Euroa Caravan Park Bridge Reconstruction \$55,000. These projects are expected to be finalised and claimed early in the 2012/13 financial year. Additionally approximately \$400,000 relating to the Natural Disaster 2010 Flood Damage funding and \$200,000 for the Creightons Creek road project was received in the previous financial year. There were also variances in grant funding due to grants received that were capital in nature but were classified as recurrent in Councils budget.
5	Other Revenue	Interest income exceeded budget expectations by \$102,000 primarily as a result of higher cash balances due to the early receipt of Grants Commission, Infrastructure grants and other funding. Also Insurance Recovery under Council's Employee Accident and Sickness policy of \$152,700 was not provided in budget.
6	Net gain(loss) on disposal of property, plant and equipment	Council's net gain on the sale of property plant and equipment was \$161,318. This amount includes the upgrade of a grader carrying a very low written down value at the date of sale.

Standard Income Statement - Variance Explanation Report For the Year Ended 30 June 2012

Note	Item	Explanation
7	Vision Super Defined Benefits unfunded Liability	The unfavourable variance is due solely to Council's share of the Vision Super Defined Benefits Superannuation liability. The Local Authorities Superannuation Fund latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which we are a member. Council was made aware of the expected short fall through the year and was informed formally of their share of the short fall on 31 July 2012 which amount to \$1,263,958. Council is currently considering various repayment options. Council has accounted for this short fall in the Comprehensive Income Statement in Employee Benefits (See Note 8 in the financial report) and in the Balance Sheet as non current Trade and Other Payables (See Note 20 in the financial report)
8	Bad Debts	Bad debts have been classified as materials and services expenditure within Councils Financial Report.
9	Share of net profits(losses) of associates	Council has a 9.73% share in the Goulburn Valley Regional Library Corporation. Council's share of the deficit for the 2011/12 year is \$20,550. Note Council's budget provided for a loss in operations of \$15,000.
10	Finance Costs	The favourable variance is a result of Council's lower borrowings due to the receipt of \$315,000 under the Local Government Infrastructure Program 2011-2015 for the Violet Town transfer station development and works associated with the remediation of the Landfill site not yet commenced \$575,000.
11	Other Expenses	Council undertook significant roadworks during the 2011/12 year. As a result of these works, the written down value of the infrastructure at renewal is classified as other expenses. This amount of \$144,000 was not provided in budget. Note this item is a non cash item. Additionally there were a number of items classified as materials in Councils budget including Electoral Representation Review \$34,200 and other governance related costs totalling \$90,000.

**Standard Balance Sheet
As at 30 June 2012**

	Budget	Actuals	Variances		Note
	2011/2012	2011/2012	\$	%	
	\$	\$	\$	%	
Assets					
Current assets					
Cash and cash equivalents	2,498,667	8,310,928	5,812,261	232.6	12
Trade and other receivables	1,472,239	1,549,737	77,498	5.3	
Inventories	120,138	117,499	(2,639)	(2.2)	
Other Assets	192,908	351,195	158,287	82.1	13
Total current assets	4,283,952	10,329,359	6,045,407		
Non-current assets					
Financial assets	2,032	2,032	-	0.0	
Investments in associates	123,444	156,226	32,782	26.6	14
Property, plant and equipment, infrastructure	188,358,203	221,558,127	33,199,924	17.63	14(a)
Total non-current assets	188,483,679	221,716,385	33,232,706		
Total assets	192,767,631	232,045,744	39,278,113		
Liabilities					
Current liabilities					
Trade and other payables	1,180,070	1,388,327	(208,257)	(17.6)	15
Trust funds and deposits	346,156	419,939	(73,783)	(21.3)	16
Provisions	1,845,928	2,647,229	(801,301)	(43.4)	17
Interest-bearing loans and borrowings	515,807	504,752	11,055	2.1	
Total current liabilities	3,887,961	4,960,247	(1,072,286)		
Non-current liabilities					
Trade and other payables	-	1,263,958	(1,263,958)	100.0	18
Trust funds and deposits	67,980	67,980	-	0.0	
Provisions	202,080	671,358	(469,278)	(232.2)	19
Interest-bearing loans and borrowings	3,247,438	2,417,254	830,184	25.6	20
Total non-current liabilities	3,517,498	4,420,550	(903,052)		
Total liabilities	7,405,459	9,380,797	(1,975,338)		
Net Assets	185,362,172	222,664,947	37,302,775		
Equity					
Accumulated surplus	67,865,838	71,965,986	4,100,148	6.0	
Reserves	117,496,334	150,698,961	33,202,627	28.3	
Total Equity	185,362,172	222,664,947	37,302,775		

Standard Balance Sheet - Variance Explanation Report For the Year Ended 30 June 2012

Note	Item	
12	Cash and cash equivalents	Council received an early instalment of \$2,261,942 from the Grants Commission during 2011/12 (note, the 2012/13 funding will be reduced by this amount). Council also received grant funding for projects of which \$900,000 expenditure will be incurred in the 2012/13 financial year. Other variances impacting on cash include a lower level of capital works \$1,466,000, and a favourable opening cash balance.
13	Other Assets	The variance to budget for this item is attributable to an increased prepaid expense balance at 30 June 2012 primarily associated with Council's insurance policies.
14	Investment in Associates	The favourable variance is primarily due to budget amount not including the 2010/11 surplus, due to Council's budget being finalised prior to receipt of the Goulburn Valley Regional Library financial report in July 2011.
14(a)	Property Infrastructure Plant and Equipment	The variance is primarily due to asset revaluations not provided in budget. These revaluations amounted to \$21,570,608 for the year end 30 June 2012 and \$11,587,169 for the year end 30 June 2011.
15	Trade and other payables	The unfavourable variance at 30 June 2012 is primarily due to the budget assuming completion of various projects during the financial year that remain outstanding at balance date.
16	Trust funds and deposits	The favourable variance primarily relates to unbudgeted bonds received in relation to the development of two new Estates within the Municipality \$58,000.
17 & 19	Provisions	There is a net variance to budget in current and non current provisions of \$1,270,500. This is primarily due to the Violet Town Landfill provision. The budget assumed completion of \$575,000 of remediation works before 30 June 2012 which remain outstanding at balance date and there is an additional provision of \$422,000 to provide annual monitoring costs at the site over the next thirty years in accordance with EPA requirements. There is also an increase in employee leave provisions which has been impacted by changes in the treasury bond rates used in the employee long services leave calculations.
18	Non Current Trade and other payables	The unfavourable variance is due solely to Council's share of the Vision Super Defined Benefits Superannuation liability. The Local Authorities Superannuation Fund latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which we are a member. Council was made aware of the expected short fall through the year and was informed formally of their share of the short fall on 31 July 2012 which amount to \$1,263,958. Council is currently considering various repayment options. Council has accounted for this short fall in the Comprehensive Income Statement in Employee Benefits (See Note 8 in the financial report) and in the Balance Sheet as non current Trade and Other Payables (See Note 20 in the financial report)
20	Interest bearing loans and borrowings	The favourable variance is a result of Council's lower borrowings due to the receipt of \$315,000 under the Local Government Infrastructure Program 2011-2015 for the Violet Town transfer station development and works associated with the remediation of the Landfill site not yet commenced \$575,000.

**Standard Cash Flow Statement
For the Year Ended 30 June 2012**

	Budget	Actuals	Variances		Note
	2011/2012	2011/2012	\$	%	
	\$	\$	\$	%	
Cash flows from operating activities					
Rates	13,033,200	12,791,784	(241,416)	(1.9)	
Statutory fees and fines	248,000	252,480	4,480	1.8	
User charges and other fines (inclusive of GST)	1,123,500	1,855,131	731,631	65.1	21
Grants (Inclusive of GST)	9,944,500	13,203,754	3,259,254	32.8	22
Interest	120,000	285,350	165,350	137.8	23
Contributions	250,000	304,083	54,083	21.6	24
Other receipts (Inclusive of GST)	121,300	288,083	166,783	137.5	25
Net GST refund/payment	1,391,000	1,026,112	(364,888)	(26.2)	26
Payments to suppliers (inclusive of GST)	(10,190,721)	(10,948,085)	(757,364)	(7.4)	
Payments to employees (including redundancies)	(9,025,500)	(8,923,555)	101,945	1.1	
Other payments	(158,200)	(305,551)	(147,351)	(93.1)	27
Net cash provided by (used in) operating activities	6,857,079	9,829,586	2,972,507		
Cash flows from investing activities					
Payments for property, plant, equipment and infrastructure	(8,361,532)	(6,833,445)	1,528,087	18.3	28
Proceeds from sale of property, plant, equipment and infrastructure	263,000	285,135	22,135	8.4	
Payment for remediation of landfill site	(575,000)	-	575,000	(100.0)	29
Net cash provided by (used in) investing activities	(8,673,532)	(6,548,310)	2,125,222		
Cash flows from financing activities					
Finance costs	(231,600)	(182,719)	48,881	21.1	30
Trust funds and deposits	-	140,984	140,984	100.0	31
Proceeds from interest bearing loans and borrowings	1,290,000	340,000	(950,000)	73.6	32
Repayment of interest bearing loans and borrowings	(488,000)	(438,693)	49,307	10.1	33
Net cash provided by (used in) financing activities	570,400	(140,428)	(710,828)		
Net increase (decrease) in cash and cash equivalents	(1,246,053)	3,140,848	4,386,901	(352.1)	
Cash and cash equivalents at the beginning of the financial year	3,744,720	5,170,080	1,425,360	38.1	
Cash and cash equivalents at the end of the financial year	2,498,667	8,310,928	5,812,261		
Reconciliation of Surplus (Deficit) and Net cashflows from operating activities					
Surplus (deficit)	2,265,400	5,700,751	3,435,351		
Depreciation and amortisation	4,345,000	4,384,473	39,473		
Written down value of infrastructure assets renewed	-	143,985	143,985		
Non cash contributions	-	(1,873,728)	(1,873,728)		
(Profit) loss on sale of property, plant and equipment	-	(161,318)	(161,318)		
Share of net (profits) losses of associates	15,000	20,550	5,550		
Finance costs	231,600	182,719	(48,881)		
Net movement in current assets and liabilities	79	1,432,154	1,432,075		
	6,857,079	9,829,586	2,972,507		

Standard Cash Flow Statement - Variance Explanation Report For the Year Ended 30 June 2012

Note	Item	
21	User Charges and other fines (inclusive of GST)	The favourable variance is primarily due to the movement in user fees receivables across multiple financial years.
22	Grants (inclusive of GST)	See notes 3 and 4
23	Interest	Interest income exceeded budget expectations as a result of higher cash balances due in part to the early receipt of Grants Commission funding in June 2011 and the State Government Roads and Bridges funding.
24	Contributions	This favourable variance is due to a contribution to a road construction and a transfer from trust account for improvement works at the Euroa Caravan Park.
25	Other receipts (inclusive of GST)	Primarily related to insurance recoveries not provided in budget.
26	Net GST refund/payment	The unfavourable variance is primarily due to the lower level of capital works completed during the financial year and other Council operational variances.
27	Other payments	This cash flow variance is due to actual expenditure exceeding Council's budget provision.
28	Payments for property, plant, equipment and infrastructure.	see the notes to the Standard Statement of Capital Works variance explanations on page 12.
29	Payment for Landfill Remediation	Remediation works at the Violet Town Landfill have not been completed due to ongoing monitoring and audit per EPA requirements.
30	Finance costs	The favourable variance is a result of Council's lower borrowings due to the receipt of \$315,000 under the Local Government Infrastructure Program 2011-2015 for the Violet Town transfer station development and works associated with the remediation of the Landfill site not yet commenced \$575,000.
31	Trust funds and deposits	The budget did not provide for movement in Trust funds held.
32	Proceeds from interest bearing loans and borrowings	see note 20 and 30
33	Repayment of interest bearing loans and borrowings.	see above

**Standard Statement of Capital Works
For the Year Ended 30 June 2012**

	Budget	Actuals	Variances		Note
	2011/2012	2011/2012	\$	%	
	\$	\$	\$	%	
Capital Works Areas					
Land	623,000	-	623,000	100.0	34
Buildings	504,760	283,752	221,008	43.8	35
Roads	5,157,009	4,318,074	838,935	16.3	36
Bridges and culverts	327,000	133,560	193,440	59.2	37
Footpaths	40,000	-	40,000	100.0	38
Drains	133,355	76,751	56,604	42.4	39
Plant and machinery	1,331,000	938,550	392,450	29.5	40
Furniture and equipment	245,408	256,805	(11,397)	(4.6)	
Other community infrastructure assets	-	437,329	(437,329)	100.0	41
Work in progress	-	449,991	(449,991)	100.0	42
Total capital works	8,361,532	6,894,812	1,466,720		

Represented by:

Renewal	6,482,870	5,283,830	1,199,040	18.5
Upgrade	1,062,662	692,394	370,268	34.8
New assets	816,000	918,588	(102,588)	(12.6)
	8,361,532	6,894,812	1,466,720	

Reconciliation of movement in property, plant and equipment, infrastructure and non current assets classified as held for sale

Total capital works	8,361,532	6,894,812	1,466,720	17.5
Asset revaluation movement	-	21,570,608	(21,570,608)	100.0
Depreciation/amortisation	(4,345,000)	(4,384,473)	39,473	(0.9)
Written down value of infrastructure assets renewed	-	(143,985)	143,985	100.0
Written down value of property, plant and equipment disposed	(263,000)	(123,817)	(139,183)	52.9
Asset Contributions	-	1,873,728	(1,873,728)	(100.0)
Net movement in property, plant and equipment, infrastructure	3,753,532	25,686,873	(21,933,341)	

Standard Statement of Capital Works - Variance Explanation Report For the Year Ended 30 June 2012

Note	Item	
34	Land	The main reason for this variance is that works classified in the budget as Land have been reclassified as Other Community Infrastructure Assets in Councils Annual Financial report. These include Euroa Flood Mitigation works \$165,000 and Nagambie Foreshore works \$237,000. Additional works associated with Buckley Park jetty \$40,000 have been reclassified as buildings. Works on the Violet Town Flood Mitigation \$120,000 did not commence in the 2011/12 financial year.
35	Buildings	The favourable variance of \$221,000 primarily relates to works on the Violet Town Transfer Station Development of \$294,000 being carried forward to the 2012/13 financial year. As previously stated works associated with Buckley Park jetty have been reclassified as buildings. Other unfavourable variances were Nagambie Regatta Centre Rectification works \$36,500 and the Euroa SES Building Refurbishment \$10,000.
36	Roads	The favourable variance of \$838,935 is primarily due to the 2010 Flood Restoration works. A timing difference resulted in additional works totalling \$568,000 being completed in the 2010/11 financial year resulting in savings against budget in the 2011/12 financial year. Additionally all works under the 2010 flood restoration were classified as roads, however, some works have been reclassified in the financial report as Bridges \$23,000, Major Culverts \$43,500 and Other Community Infrastructure of \$31,000. Also a favourable variance was achieved in the road reseals program \$168,000.
37	Bridges	The favourable variance primarily relates to works of \$275,000 on the Euroa Caravan Park Footbridge being classified as work in progress at balance date. This is offset by variances relating to 2010 flood works classified as roads in the budget and reclassified as Bridges \$23,000 and Culverts \$43,500 in the 2011/12 financial report.
38	Footpaths	The favourable variance of \$40,000 is due to the works at Euroa Caravan Park not completed at June 30 being included in work in progress.
39	Drainage	The favourable variance is due to the Tarcombe Street drainage improvement works \$20,000 and Avenel Longwood clean up works \$20,000 being completed and expensed during the financial year. Works associated with Avenel Drainage on the corner of Saleyards Road and Bank Street are continuing and costs to date have been included in work in progress.
40	Plant and machinery	The favourable variance is primarily due to Council's plant replacement program that did not proceed in full due to delays in the delivery of plant and changes to the program. Additionally works that were operational in nature were expensed including the Nagambie Regatta Centre Power Cable Security budgeted at \$20,000 and the Public Lighting in Nth Boundary Road budgeted at \$9,000.
41	Other community infrastructure assets	Due to the reclassification of capital works from Land and Roads. See note 34 and 36
42	Works in progress	Major projects progressing over financial years and classified as works in progress include the Euroa Caravan Park - Footbridge \$275,000, Kerb & Channel \$30,500 and Pathways \$116,000. Other projects are the Violet Town Transfer Station \$22,000 and Avenel drainage \$6,000.

**Standard Statements
For the Year Ended 30 June 2012**

Certification of the Standard Statements

In my opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government Act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

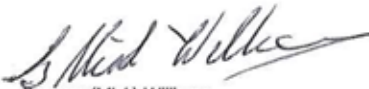


Stephen Cloney, B.Bus, CPA
Principal Accounting Officer

Date : 18 September, 2012

In our opinion the accompanying standard statements have been prepared on accounting bases consistent with the financial statements and in accordance with the Local Government act 1989 and the Local Government (Finance and Reporting) Regulations 2004.

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



Graeme (Mick) Williams
Councillor

Date : 18 September, 2012



Neil Murray
Councillor

Date : 18 September, 2012



Steve Crawcour
Chief Executive Officer

Date : 18 September, 2012

FINANCIAL REPORTS

**Strathbogie Shire Council
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2012**

FINANCIAL REPORT	Page
Financial Statements	
Comprehensive Income Statement	3
Balance Sheet	4
Statement of Changes in Equity	5
Cash Flow Statement	6
Notes to Financial Statements	
Introduction	7
Note 1 Significant accounting policies	7
Note 2 Rates and charges	17
Note 3 Statutory fees and fines	17
Note 4 User fees	17
Note 5(a) Contributions - Cash	17
Note 5(b) Contributions - Non cash	17
Note 6 Grants	18
Note 7 Other revenue	20
Note 8 Employee benefits	20
Note 9 Materials and services	21
Note 10 Depreciation and amortisation	21
Note 11 Finance costs	21
Note 12 Other expenses	22
Note 13 Net gain/(loss) on disposal of property, plant and equipment	22
Note 14 Investments in associates	22
Note 15 Cash and cash equivalents	23
Note 16 Trade and other receivables	23
Note 17 Financial assets	23
Note 18 Other assets	23
Note 19 Property, infrastructure, plant and equipment	24
Note 20 Trade and other payables	29
Note 21 Trust funds and deposits	29
Note 22 Provisions	29
Note 23 Interest bearing loans and borrowings	31
Note 24 Reserves	32
Note 25 Reconciliation of cash flows from operating activities to surplus or deficit	33
Note 26 Reconciliation of cash and cash equivalents	33
Note 27 Financing arrangements	33
Note 28 Restricted assets	33
Note 29 Superannuation	34
Note 30 Commitments	35
Note 31 Special committees and other activities	36
Note 32 Contingent liabilities and contingent assets	36
Note 33 Financial instruments	37
Note 34 Auditors' remuneration	42
Note 35 Related party transactions	43
Note 36 Revenue, expenses and assets by functions/activities	44
Note 37 Financial ratios (Performance indicators)	45
Note 38 Capital expenditure	46
Note 39 Events occurring after balance date	47
Certification of the Financial Report	48

Comprehensive Income Statement For the Year Ended 30 June 2012

	Note	2012	2011
		\$	\$
Income			
Rates and charges	2	12,960,775	11,929,899
Statutory fees and fines	3	252,480	276,596
User fees	4	1,231,384	1,136,605
Contributions - Cash	5(a)	304,083	-
Contributions - Non Cash	5(b)	1,873,728	-
Grants - recurrent	6	7,133,879	6,066,713
Grants - non-recurrent	6	5,355,349	5,609,093
Other income	7	578,357	567,139
Share of net profits(losses) of associates accounted for by the equity method	14	-	26,332
Net gain(loss) on disposal of property, plant, equipment and infrastructure	13	161,318	45,700
Total income		29,851,353	25,658,077
Expenses			
Employee benefits	8	(10,724,182)	(9,012,880)
Materials and services	9	(8,403,474)	(9,867,755)
Depreciation and amortisation	10	(4,384,473)	(4,179,989)
Finance costs	11	(182,719)	(212,960)
Other expenses	12	(435,204)	(570,538)
Share of net profits(losses) of associates accounted for by the equity method	14	(20,550)	-
Total expenses		(24,150,602)	(23,844,122)
Surplus/(deficit)		5,700,751	1,813,955
Other comprehensive income			
Net asset revaluation increment(decrement)	24	21,570,608	11,587,169
Comprehensive result		27,271,359	13,401,124

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

Balance Sheet
As at 30 June 2012

	Note	2012 \$	2011 \$
Assets			
Current assets			
Cash and cash equivalents	15	8,310,928	5,170,080
Trade and other receivables	16	1,549,737	2,223,798
Inventories		117,499	172,101
Other assets	18	351,195	279,671
Total current assets		<u>10,329,359</u>	<u>7,845,650</u>
Non-current assets			
Financial assets	17	2,032	2,032
Investments in associates accounted for using the equity method	14	156,226	176,776
Property, infrastructure, plant and equipment	19	221,558,127	195,871,254
Total non-current assets		<u>221,716,385</u>	<u>196,050,062</u>
Total assets		<u>232,045,744</u>	<u>203,895,712</u>
Liabilities			
Current liabilities			
Trade and other payables	20	1,388,327	2,765,551
Trust funds and deposits	21	419,939	278,955
Provisions	22	2,647,229	2,251,006
Interest-bearing loans and borrowings	23	504,752	436,474
Total current liabilities		<u>4,960,247</u>	<u>5,731,986</u>
Non-current liabilities			
Trade and other payables	20	1,263,958	-
Trust funds and deposits	21	67,980	67,980
Provisions	22	671,358	179,300
Interest-bearing loans and borrowings	23	2,417,254	2,522,858
Total non-current liabilities		<u>4,420,550</u>	<u>2,770,138</u>
Total liabilities		<u>9,380,797</u>	<u>8,502,124</u>
Net Assets		<u>222,664,947</u>	<u>195,393,588</u>
Equity			
Accumulated surplus		71,965,986	66,493,085
Reserves	24	150,698,961	128,900,503
Total Equity		<u>222,664,947</u>	<u>195,393,588</u>

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

Statement of Changes in Equity For the Year Ended 30 June 2012

	Note	Total 2012 \$	Accumulated Surplus 2012 \$	Asset Revaluation Reserve 2012 \$	Other Reserves 2012 \$
2012					
Balance at beginning of the financial year		195,393,588	66,493,085	128,848,053	52,450
Surplus(deficit) for the year		5,700,751	5,700,751	-	-
Transfers to other reserves	24	-	(227,850)	-	227,850
Net asset revaluation increment(decrement)	24	21,570,608	-	21,570,608	-
Balance at end of the financial year		222,664,947	71,965,986	150,418,661	280,300

		Total 2011 \$	Accumulated Surplus 2011 \$	Asset Revaluation Reserve 2011 \$	Other Reserves 2011 \$
2011					
Balance at beginning of the financial year		181,992,464	64,696,130	117,260,884	35,450
Surplus(deficit) for the year		1,813,955	1,813,955	-	-
Transfers to other reserves		-	(17,000)	-	17,000
Net asset revaluation increment(decrement)	24	11,587,169	-	11,587,169	-
Balance at end of the financial year		195,393,588	66,493,085	128,848,053	52,450

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

**Cash Flow Statement
For the Year Ended 30 June 2012**

	Note	2012 Inflows/ (Outflows) \$	2011 Inflows/ (Outflows) \$
Cash flows from operating activities			
Rates		12,791,784	11,862,642
Statutory fees and fines		252,480	276,596
User charges and other fines (inclusive of GST)		1,855,131	1,267,693
Contributions - cash		304,083	-
Grants (inclusive of GST)		13,203,754	11,219,184
Interest		285,350	323,133
Other receipts (inclusive of GST)		288,083	244,726
Net GST refund/payment		1,026,112	1,132,984
Payments to suppliers (inclusive of GST)		(10,948,085)	(10,667,680)
Payments to employees (including redundancies)		(8,923,555)	(9,210,257)
Other payments (inclusive of GST)		(305,551)	(267,854)
Net cash provided by (used in) operating activities	25	9,829,586	6,181,167
Cash flows from investing activities			
Payments for property, plant and equipment, infrastructure		(6,833,445)	(6,004,926)
Proceeds from sale of property, plant and equipment, infrastructure		285,135	405,422
Net cash provided by (used in) investing activities		(6,548,310)	(5,599,504)
Cash flows from financing activities			
Finance costs		(182,719)	(212,960)
Receipt/(repayment) of trust funds		140,984	(67,201)
Proceeds from interest bearing loans and borrowings		340,000	-
Repayment of interest bearing loans and borrowings		(438,693)	(419,546)
Net cash provided by (used in) financing activities		(140,428)	(699,707)
Net increase (decrease) in cash and cash equivalents		3,140,848	(118,044)
Cash and cash equivalents at the beginning of the financial year		5,170,080	5,288,124
Cash and cash equivalents at the end of the financial year	26	8,310,928	5,170,080
Financing arrangements	27		
Restrictions on cash assets	28		

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

Introduction

- (a) The Strathbogrie Shire Council was established by an Order of the Governor in Council on the 18th November 1994 and is a body corporate. The Council office is located at the corner of Binney and Bury Streets, Euroa Victoria 3666.
- (b) The purpose of the Council is to:
- provide for the peace, order and good government of its municipal district;
 - to promote the social, economic and environmental viability and sustainability of the
 - to ensure that resources are used efficiently and effectively and services are provided in accordance with the Best Value Principles to best meet the needs of the local community;
 - to improve the overall quality of life of people in the local community;
 - to promote appropriate business and employment opportunities;
 - to ensure that services and facilities provided by the Council are accessible and equitable;

 - to ensure the equitable imposition of rates and charges; and
 - to ensure transparency and accountability in Council decision making.

External Auditor - Auditor-General of Victoria

Internal Auditor - AFS and Associates

Solicitors - Tehan George & Co., and Maddocks Lawyers

Bankers - National Australia Bank

Website address - www.strathbogrie.vic.gov.au

This financial report is a general purpose financial report that consists of an Comprehensive Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement, and notes accompanying these financial statements. The general purpose financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act* 1989, and the Local Government (Finance and Reporting) Regulations 2004.

Note 1 Significant accounting policies

(a) Basis of accounting

This financial report has been prepared on the accrual and going concern bases.

This financial report has been prepared under the historical cost convention, except where specifically stated in notes 1(g), 1(j), 1(r) and 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.

All entities controlled by Council that have material assets or liabilities, such as Special Committees of Management, have been included in this financial report. All transactions between these entities and the Council have been eliminated in full. Details of entities not included in this financial report based on their materiality are detailed in note 31.

Note 1 Significant accounting policies (cont.)

(b) Revenue recognition

Rates, grants and contributions

Rates, grants and contributions (including asset contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

Control over granted assets 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.

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.

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.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date.

User fees and fines

User 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.

A provision for doubtful debts is recognised when collection in full is no longer probable.

Sale of property, plant and equipment, infrastructure

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

Trade and other receivables

Receivables are carried at cost. A provision for doubtful debts is recognised when there is objective evidence that an impairment loss has occurred.

Interest and rents

Interest and rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Dividends

Dividend revenue is recognised when the Council's right to receive payment is established.

Note 1 Significant accounting policies (cont.)

(c) Inventories

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

(d) Depreciation and amortisation of property, plant and equipment and infrastructure

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 (formations) are not depreciated.

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

Major depreciation periods used are listed below and are consistent with the prior year unless otherwise stated:

	2012	2011
Property		
Land	-	-
Buildings	10 to 100 years	10 to 80 years
Plant and Equipment		
Plant		
plant and machinery	2 to 20 years	2 to 10 years
furniture and equipment	2 to 10 years	2 to 7 years
leased furniture and equipment	3 to 5 years	3 to 5 years
Infrastructure		
Roads		
road pavements - sealed	75 years	70 years
road pavements - unsealed	15 to 25 years	15 to 25 years
seals	12 to 22 years	12 to 22 years
Bridges		
bridges deck	70 to 100 years	70 to 100 years
bridges substructure	70 to 100 years	70 to 100 years
Major culverts	70 to 100 years	70 to 100 years
Footpaths & cycleways	10 to 60 years	10 to 60 years
Drainage	60 to 100 years	60 to 100 years
Kerb and channel	100 years	100 years
Landfill assets	-	3 years
Community assets	3 to 100 years	2 to 40 years

(e) 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.

Note 1 Significant accounting policies (cont.)

(f) **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.

(g) **Recognition and measurement of assets**

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.

The following classes of assets have been recognised in note 19. In accordance with Council's policy, the threshold limits detailed below have been applied when recognising assets within an applicable asset class and unless otherwise stated are consistent with the prior year:

	2012 Threshold	2011 Threshold
Property		
Land	10,000	10,000
Buildings	5,000	10,000
Plant and Equipment		
plant and machinery	1,000	2,000
furniture and equipment	1,000	2,000
leased plant and equipment	5,000	5,000
Infrastructure		
Roads		
road pavements and seals	5,000	10,000
road substructure	5,000	10,000
road formation and earthworks	10,000	10,000
road kerb, channel and minor culverts	5,000	5,000
Land under roads	10,000	10,000
Bridges	5,000	5,000
Major culverts	5,000	5,000
Footpaths & cycleways	5,000	5,000
Drainage	5,000	5,000
Kerb and channel	5,000	5,000
Landfill assets	-	10,000
Community assets	3,000	10,000

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and machinery, furniture and fittings and leased plant and equipment, are measured at their fair value, being the amount for which the assets could be exchanged between knowledgeable willing parties in an arms length transaction. 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.

Note 1 Significant accounting policies (cont.)

(g) Recognition and measurement of assets (cont.)

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.

(h) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, deposits at call, and other highly liquid investments with original maturities of three months or less, net of outstanding bank overdrafts.

(i) Investments

Investments, other than investments in associates, are measured at cost.

(j) Accounting for investments in associates

Council's investment in associates is accounted for by the equity method as the Council has the ability to influence rather than control the operations of the entities. The investment is initially recorded at the cost of acquisition and adjusted thereafter for post-acquisition changes in the Council's share of the net assets of the entities. The Council's share of the financial result of the entities is recognised in the comprehensive income statement.

(k) Tender deposits

Amounts received as tender deposits and retention amounts controlled by Council are recognised as Trust funds until they are returned or forfeited (refer to note 21).

Note 1 Significant accounting policies (cont.)

(l) **Employee benefits**

Wages and salaries

Liabilities for wages and salaries and rostered days off are recognised and are measured as the amount unpaid at balance date and include appropriate oncosts such as work cover charges.

Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to balance date.

Annual leave expected to be paid within 12 months is measured at nominal value based on the amount, including appropriate oncosts, expected to be paid when settled.

Annual leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Long service leave

Long service leave entitlements payable are assessed at balance date having regard to expected employee remuneration rates on settlement, employment related oncosts and other factors including accumulated years of employment, on settlement, and experience of employee departure per year of service.

Long service leave expected to be paid within 12 months is measured at nominal value based on the amount expected to be paid when settled.

Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash outflows to be made for these accrued entitlements. Commonwealth bond rates are used for discounting future cash flows.

Classification of employee benefits

An employee benefit liability is classified as a current liability if the Council does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the period. This would include all annual leave and unconditional long service leave entitlements.

Superannuation

The superannuation expense for the reporting year is the amount of the statutory contribution the Council makes to the superannuation plan which provides benefits to its employees. In addition Council may periodically be required to contribute to the defined benefits schemes for current and former employees. Details of these arrangements are recorded in note 29.

Note 1 Significant accounting policies (cont.)

(m) 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. Leased assets are currently being amortised over a 3 to 5 year period.

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.

(n) Allocation between current and non-current

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next twelve months, being the Council's operational cycle, or if the Council does not have an unconditional right to defer settlement of a liability for at least 12 months after the reporting date.

(o) Agreements equally proportionately unperformed

The Council does not recognise assets and liabilities arising from agreements that are equally proportionately unperformed in the balance sheet. Such agreements are recognised on an 'as incurred' basis.

(p) Web site costs

During the financial year Council developed a new website. Costs in relation to this development have been capitalised and will be amortised over a period of three years.

(q) 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 cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) 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.

Note 1 Significant accounting policies (cont.)

(s) Non-current assets classified as held for sale

A non-current asset 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 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.

(t) 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 and inclusive of the GST payable.

Note 1 Significant accounting policies (cont.)

(u) Pending Accounting Standards

The following Australian Accounting Standards have been issued or amended and are applicable to the Council but are not yet effective.

They have not been adopted in preparation of the financial statements at reporting date.

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning or ending on	Impact on Local Government financial statements
AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>These standards are applicable retrospectively and amend the classification and measurement of financial assets. Council has not yet determined the potential impact on the financial statements. Specific changes include:</p> <ul style="list-style-type: none"> * simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value; * removing the tainting rules associated with held-to-maturity assets; * simplifying the requirements for embedded derivatives; * removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost; * allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and * reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on: <ul style="list-style-type: none"> a. the objective of the entity's business model for managing the financial assets; and b. the characteristics of the contractual cash flows. 	Applicable for annual reporting periods commencing on or after 1 January 2013.	These changes are expected to provide some simplification in the accounting for and disclosure of financial instruments

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning or ending on</i>	<i>Impact on Local Government financial statements</i>
AASB 2011-3 Amendments to Australian Accounting Standards - Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	These standards are aimed at limiting certain recognition and measurement options to align with GFS, and supplemented by additional disclosures.	Applicable for annual reporting periods commencing on or after 1 July 2012.	These amendments are not expected to impact Council
AASB 2010-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]	These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instrument for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non derivative equity instruments.	Applicable for annual reporting periods commencing on or after 1 January 2013.	These amendments are not expected to impact Council

	2012 \$	2011 \$
Note 2 Rates and charges		
Council uses capital improved value as the basis of valuation of all properties within the municipal district. The capital improved value of a property is the value of the land and all improvements on that land including building and fencing.		
The rateable valuation base used to calculate general rates for 2011/2012 was \$2,344,308,100 (2010/2011 \$2,318,589,000 million). The 2011/2012 rate in the dollar was 0.44938 (2010/2011, 0.40844).		
Residential	4,350,770	3,989,502
Commercial	393,741	318,856
Rural Land Rate	4,934,419	4,540,715
Municipal Charge	1,661,179	1,505,724
Garbage and Recycling Charges	1,649,847	1,561,463
Discount on Rates	(36,517)	-
Supplementary rates and rate adjustments	7,336	13,639
Total rates and charges	<u>12,960,775</u>	<u>11,929,899</u>
The date of the last general revaluation of land for rating purposes within the municipal district was 1 January 2012, and the valuation first applied to the rating period commencing 1 July 2012.		
The date of the next general revaluation of land for rating purposes within the municipal district is 1 January 2014, and the valuation will be first applied in the rating year commencing 1 July 2014.		
Note 3 Statutory fees and fines		
Building fees	28,708	38,160
Planning fees	65,838	84,653
Health registrations	55,255	60,230
Animal registrations	89,621	80,732
Land information certificates	13,058	12,821
Total statutory fees and fines	<u>252,480</u>	<u>276,596</u>
Note 4 User fees		
Community services including home care	346,784	366,631
Meals on wheels	79,572	85,810
Tip fees	76,540	76,771
Income re municipal valuation	5,215	5,890
Nagambie Lakes Events	45,002	47,599
Saleyard operations revenue	229,546	194,375
Swimming Pools revenue	8,459	13,698
Contributions to projects	182,796	190,000
Other user charges and contributions	257,470	155,831
Total user fees	<u>1,231,384</u>	<u>1,136,605</u>
Please refer to Note 33 for the ageing analysis of contractual receivables.		
Note 5(a) Contributions - Cash		
Roads	273,658	-
Buildings	30,425	-
	<u>304,083</u>	<u>-</u>
Note 5(b) Contributions - Non Cash		
Roads	1,534,171	-
Buildings	185,000	-
Land	75,000	-
Footpaths and cycleways	35,475	-
Kerb & Channel	44,082	-
	<u>1,873,728</u>	<u>-</u>

	2012 \$	2011 \$
Note 6 Grants		
Grants were received in respect of the following :		
Summary of Grants		
Federally funded grants	786,317	1,810,777
State funded grants	11,623,097	9,742,682
Others	79,814	122,347
Total grants	<u>12,489,228</u>	<u>11,675,806</u>
Recurrent		
Beach Cleaning Subsidy	2,677	3,587
Boating Safety & Facilities	2,600	8,200
Centrelink	-	15,469
CFA/IFMP Municipal fire Management Plan	5,000	-
Children's Week Program	500	500
Commonwealth Roads of Access	22,229	23,739
Coxy's Big Break	-	49,000
CSF Community Leadership Program	-	27,500
CSF Youth Programs	16,080	33,165
Environment Strategy Project	30,000	-
Emergency Relief	-	25,200
Euroa Farmers Market	25,000	-
Fire Access Roads	25,000	64,738
Freeza	24,427	24,652
Future Farming Initiative - Capacity to Respond to Pests	22,500	15,000
Goulburn Making The Link Mentoring Project	27,909	50,250
Grants Commission	3,189,125	2,476,083
Heritage Study Grant	8,000	38,000
Home Care subsidies	727,764	718,873
Honouring Our Heroes - Euroa	-	15,177
Implementation of Violet Town Floodplain Management	10,000	-
Local Roads	2,337,927	1,856,300
Maternal & Child Health Enhanced Services	43,927	42,408
Maternal Child Health	53,182	58,002
Meals on Wheels	17,907	32,114
Median Strip Subsidy	6,420	6,420
Municipal Planning - Early Years	-	21,500
National Youth Week	2,000	-
Our Places, Our Lives Let's Engage	17,500	-
Pests and Plants Program	15,000	-
Planned activity group	46,682	44,998
Regional Victorian Living Expo 2012	20,000	-
Restoring Longwood Boer War Memorial	3,200	-
School Crossing Supervisor	15,244	13,472
Securing Water Access for Sporting Grounds	-	18,570
Senior Citizens Subsidies	53,119	27,949
State Emergency Services	12,234	11,936
Strengthening Strathbogie in a Changing Climate	172,500	-
Think Women in Local Government 2012	3,400	-
Training grants and subsidies	18,000	9,500
Tobacco Compliance	2,366	3,140
Veterans Affairs Home Care	62,638	79,869
Volunteer Coordination	74,072	59,712
Vic Roads L2P Funding	6,750	40,690
Waterways Mural at Buckley Park	-	1,000
Youth Tailored Sound Grant	11,000	-
Teson Trims - Small Towns Project	-	150,000
Total recurrent	<u>7,133,879</u>	<u>6,066,713</u>

	2012 \$	2011 \$
Note 6 Grants cont....		
<i>Non-recurrent</i>		
Avenel Recreation Reserve Stage 1	120,000	-
Euroa Caravan Park Bridge Reconstruction	240,000	-
Euroa Flood Mitigation Works	102,220	-
Euroa Memorial Oval Lighting Upgrade	18,600	59,400
Creightons Creek Road / AIDF Grant	400,000	200,000
Longwood Netball Court Reconstruction	4,900	21,960
Longwood Community Facility Improvements	-	63,505
Living Libraries Grant	-	390,000
Local Government Infrastructure Program 2011-15	469,000	-
Nagambie Recreation Reserve Community Infrastructure Improvements	-	54,000
Nagambie Revitalisation Project	525,000	1,000,000
Natural Disaster Relief Funding - (2010 Floods)	844,595	1,968,015
Natural Disaster Relief Funding - (2012 Floods)	677,500	-
Regional & Local Community Infrastructure Grant	-	167,000
Regatta Centre Stage 1 - Rectification Works	-	180,000
Ruffy Recreation Reserve Upgrade	-	-
Sandbagging Equipment Grant	12,191	-
Seasonal Pools Grant	-	21,556
State Government Roads & Bridges Funding	1,000,000	-
Roads To Recovery	528,950	1,445,930
Violet Town Floodplain Management Study Stage 3	52,250	35,000
Violet Town Landfill Grant	315,260	-
Violet Town Tennis Court Resurfacing	44,883	-
Planning Graduate	-	2,727
<i>Total non-recurrent</i>	<u>5,355,349</u>	<u>5,609,093</u>
Total grants received for the year ended 30 June	<u>12,489,228</u>	<u>11,675,806</u>

Conditions on Grants

Grants recognised as revenue during the year that were obtained on condition that they be expended in a specified manner that had not occurred at balance date were:

Euroa Farmers Market	1,043	-
Goulburn Making The Link Mentoring Project	-	40,378
Heritage Study Grant	8,000	38,000
Local Government Infrastructure Program	293,227	-
Regional & Local Community Infrastructure Grant	-	150,157
Freeza Grant	2,374	6,783
Longwood Boer War Memorial Beautification	3,200	-
Vic Roads L2P Funding	1,700	9,590
Our Place, Our Lives, Lets Engage	17,500	-
Violet Town Flood Mitigation Plan	47,250	-
Department of Treasury and Finance	537,384	-
Youth Services Grant	-	16,974
Fire Access Grant	-	19,390
Future Farming Initiative	-	2,500
Municipal Planning Grant (Early Years)	-	11,500
Euroa Memorial Oval Lighting Upgrade	-	59,400
Longwood Netball Court Reconstruction	-	21,960
Creightons Creek Road / ADIF Grant	-	182,300
	<u>911,678</u>	<u>558,932</u>

	2012	2011
	\$	\$
Note 6		
Grants cont....		
Grants which were recognised as revenue in prior years and were expended during the current year in the manner specified by the grantor were:		
Creightons Creek Road / ADIF Grant	182,300	-
Youth Services Grant	16,974	-
Fire Access Grant	19,390	-
Heritage Study Grant	-	22,000
Future Farming Initiative	2,500	-
Municipal Planning Grant (Early Years)	11,500	-
Euroa Memorial Oval Lighting Upgrade	59,400	-
Longwood Netball Court Reconstruction	21,960	-
Ruffy Recreation Reserve Upgrade	-	37,010
Emergency Relief	-	7,975
Maternal & Child Health	-	18,339
Goulburn Making The Link Mentoring Project	40,378	17,954
Regional & Local Community Infrastructure Grant	150,157	127,100
Freeza Grant	6,783	7,195
Vic Roads L2P	-	18,660
Waterways Mural at Buckley Park	-	8,840
Nagambie Rec Reserve Community Facilities Improvement Project	-	41,518
	<u>511,342</u>	<u>306,591</u>
Net increase (decrease) in restricted assets resulting from grant revenues for the year:	<u>400,336</u>	<u>252,341</u>
Note 7		
Other income		
Interest	290,274	268,893
Interest on rates	58,809	53,520
Diesel Rebate	27,635	26,838
Insurance recoveries	152,766	179,265
Other	48,873	38,623
Total other income	<u>578,357</u>	<u>567,139</u>
Note 8		
Employee benefits		
Wages and salaries	7,248,808	6,886,057
Annual leave and long service leave	1,081,185	674,610
Workcover	250,295	229,507
Superannuation	680,234	645,772
Superannuation Defined Benefits Shortfall (note 29)	1,263,958	263,003
Fringe benefits tax	141,105	107,059
Redundancy	58,597	206,872
Total employee benefits	<u>10,724,182</u>	<u>9,012,880</u>

	2012 \$	2011 \$
Note 9		
Materials and services		
Printing and stationery	123,381	91,096
Telecommunications	124,784	112,023
Postage	30,495	33,918
Revaluation	1,091	11,000
Information technology	461,215	350,435
Maternal child health	14,220	28,238
Youth services	81,926	65,720
Meals on wheels	116,659	122,685
Libraries	235,752	214,365
Cinema operations	27,233	26,410
Planning including legal fees	227,335	142,593
Economic development	242,641	376,997
Strategic projects	16,420	54,906
Garbage, recycling and landfill operations	1,212,900	963,819
Swimming pools	332,206	318,713
Road and bridge, parks and reserves maintenance	2,081,355	2,333,624
Lighting and Power	243,537	181,259
Aged, disability, community care and support packages	114,110	112,694
Community Grants	146,633	176,433
Saleyards and truckwash	95,507	105,453
Building Maintenance	295,258	229,718
Insurance	235,566	204,430
Election Costs	33,769	-
Various Govt grant related expenditure	244,546	159,105
Contract labour and recruitment	51,680	469,973
Conferences, professional development & staff training	190,593	136,407
2010 Flood damage repair works	-	1,705,811
2012 Flood damage repair works	85,811	-
Compliance operations including boating safety	244,383	180,846
Sustainability including carbon footprint	199,749	51,821
Asset condition assessments	138,946	-
Environmental Health	137,551	125,208
Other contract payments materials and services	616,222	782,055
Total materials and services	8,403,474	9,867,755
Note 10		
Depreciation and amortisation		
<i>Property</i>		
Buildings	690,850	595,514
<i>Plant and Equipment</i>		
Plant, machinery and equipment	597,799	578,599
Furniture and Equipment	188,184	269,240
Leased plant and equipment	29,793	26,929
subtotal	1,506,626	1,470,282
<i>Infrastructure</i>		
Roads	2,280,959	2,209,662
Bridges	241,521	241,216
Major culverts	94,050	95,931
Footpaths and cycleways	16,085	16,085
Drainage	100,632	98,997
Kerb and Channel	38,827	38,827
Other community assets	105,773	8,989
subtotal	2,877,847	2,709,707
Total depreciation and amortisation	4,384,473	4,179,989
Note 11		
Finance costs		
Interest - Borrowings	180,770	210,328
Interest - Finance leases	1,949	2,632
Total finance costs	182,719	212,960

	2012 \$	2011 \$
Note 12 Other expenses		
Auditors' remuneration (note 34)	32,967	41,720
Written down value of infrastructure assets renewed	143,985	315,802
Councillors' allowances and costs	258,252	213,016
Total other expenses	435,204	570,538
Note 13 Net gain(loss) on disposal of property, plant and equipment		
Proceeds from Furniture and Equipment	-	-
Written Down Value of Furniture and Equipment Sold	-	-
Profit (Loss) on Sale of Furniture and Equipment	-	-
Proceeds from Sale of Plant and Machinery	285,135	145,464
Written Down Value of Plant and Machinery Sold	123,817	92,597
Profit (Loss) on Sale of Plant and Machinery	161,318	52,867
Sub total	161,318	52,867
<i>Summary</i>		
Gross proceeds from disposal of assets	285,135	145,464
Written down value of assets disposed	123,817	92,597
Profit (Loss) on Disposal of Assets	161,318	52,867
Net gain(loss) on disposal of assets held for resale		
Proceeds from Sale of Assets Held for Resale	-	259,958
Written Down Value of Assets Held for Resale	-	267,125
Profit (Loss) on Sale of Assets Held for Resale	-	(7,167)
Net gain(loss) on disposal of property, plant and equipment, and assets held for resale	161,318	45,700
Note 14 Investment in associates		
Goulburn Valley Regional Library Corporation		
Council has a 9.73% (previously 9.96%) share in the Goulburn Valley Regional Library Corporation. Council's share of the Goulburn Valley Regional Library Corporation's assets and liabilities is as follows:		
<i>Council's share of accumulated surplus(deficit)</i>		
Council's share of accumulated surplus(deficit) at start of year	176,776	150,444
Reported surplus(deficit) for year	(17,691)	28,018
Adjustment due to share in GVRL being reduced to 9.73% and minor correction to opening balances.	(2,859)	(1,686)
Council's share of accumulated surplus(deficit) at end of year	156,226	176,776
<i>Movement in carrying value of specific investment</i>		
Current Assets	75,663	46,748
Non Current Assets	195,869	208,408
Current Liabilities	(59,822)	(56,541)
Non Current Liabilities	(55,484)	(21,839)
Investment in Goulburn Valley Regional Library Corporation	156,226	176,776
<i>Councils Share of Finance Lease Commitments</i>		
Not later than one year	4,460	5,004
Later than one year and not later than five years	3,837	7,426
	8,297	12,430

	2012	2011
	\$	\$
Note 15		
Cash and cash equivalents		
Cash on hand	1,020	1,020
Cash at bank	909,908	969,060
Term deposits	7,400,000	4,200,000
Total cash and cash equivalents	<u>8,310,928</u>	<u>5,170,080</u>
Users of the financial report should refer to Note 28 for details of restrictions on cash assets and note 30 for details of existing Council commitments.		
Note 16		
Trade and other receivables		
<i>Current</i>		
Rates debtors	826,594	653,756
Provision for doubtful debts - rate debtors	(19,404)	(15,557)
Net GST receivable	94,699	221,070
Other debtors	648,741	1,368,594
Provision for doubtful debts - other debtors	(893)	(4,065)
Total trade and other receivables	<u>1,549,737</u>	<u>2,223,798</u>
Note 17		
Financial assets		
<i>Non-current</i>		
MAV purchasing Scheme	<u>2,032</u>	<u>2,032</u>
Note 18		
Other assets		
<i>Current</i>		
Prepayments	334,028	267,428
Accrued income	17,167	12,243
Total other assets	<u>351,195</u>	<u>279,671</u>

	2012 \$	2011 \$
Note 19 Property, plant and equipment, infrastructure		
Summary		
at cost	12,229,736	15,031,520
Less accumulated depreciation	4,413,951	4,343,587
	<u>7,815,785</u>	<u>10,687,933</u>
at fair value	309,025,741	259,810,431
Less accumulated depreciation	95,283,399	74,627,110
	<u>213,742,342</u>	<u>185,183,321</u>
Total	<u>221,558,127</u>	<u>195,871,254</u>
Property		
Land		
at cost	75,000	-
at fair value as at 30 June 2011 (i)	26,199,000	26,199,000
	<u>26,274,000</u>	<u>26,199,000</u>
Buildings		
at cost	478,602	-
Less accumulated depreciation	1,220	-
	<u>477,382</u>	<u>-</u>
at fair value as at 30 June 2011 (i)	55,170,385	55,170,385
Less accumulated depreciation	23,265,456	22,575,826
	<u>31,904,929</u>	<u>32,594,559</u>
Total Property	<u>58,656,311</u>	<u>58,793,559</u>

- (i) Valuation of land and buildings at 30 June 2011 were undertaken by Marcus Hann AAPI, an independent Certified Practising Valuer. The valuation of buildings is at fair value based on current replacement cost less accumulated depreciation at the date of valuation. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. All freehold land reserved public open space is valued at a discount to market value based on legal precedents.

Plant and Equipment

Plant and machinery

at cost	5,446,189	5,050,440
Less accumulated depreciation	2,991,320	2,812,505
	<u>2,454,869</u>	<u>2,237,935</u>

Furniture and equipment

at cost	1,769,266	1,763,026
Less accumulated depreciation	1,292,904	1,293,918
	<u>476,362</u>	<u>469,108</u>

Leased plant and equipment

at cost	61,367	94,837
Less accumulated amortisation	1,710	66,754
	<u>59,657</u>	<u>28,083</u>

Total Plant and Equipment

	<u>2,990,888</u>	<u>2,735,126</u>
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	2012	2011
	\$	\$
Note 19 Property, plant and equipment, infrastructure (cont.)		
Infrastructure		
Roads		
at fair value as at 30 June 2012 (vi)	166,267,211	-
at fair value as at 30 June 2009 (iv)	-	130,186,481
Less accumulated depreciation	50,160,181	34,800,662
	<u>116,107,030</u>	<u>95,385,819</u>
at cost	-	4,094,427
Less accumulated depreciation	-	143,030
	<u>-</u>	<u>3,951,397</u>
Bridges		
at fair value as at 30 June 2012 (vi)	34,447,501	-
at fair value as at 30 June 2009 (iv)	-	23,686,811
Less accumulated depreciation	11,751,147	8,403,842
	<u>22,696,354</u>	<u>15,282,969</u>
at cost	-	384,756
Less accumulated depreciation	-	7,447
	<u>-</u>	<u>377,309</u>
Major Culverts		
at fair value as at 30 June 2008 (iii)	9,138,507	9,138,507
Less accumulated depreciation	3,845,623	3,754,238
	<u>5,292,884</u>	<u>5,384,269</u>
Major Culverts		
at cost	198,897	109,605
Less accumulated depreciation	3,761	1,096
	<u>195,136</u>	<u>108,509</u>
Footpaths and cycleways		
at fair value as at 30 June 2012 (vi)	1,956,455	-
at fair value as at 30 June 2009 (iv)	-	1,545,316
Less accumulated depreciation	836,279	557,395
	<u>1,120,176</u>	<u>987,921</u>
at cost	-	37,855
Less accumulated depreciation	-	999
	<u>-</u>	<u>36,856</u>
Drainage		
at fair value as at 30 June 2011 (v)	10,047,398	10,047,398
Less accumulated depreciation	3,119,763	3,019,289
	<u>6,927,635</u>	<u>7,028,109</u>
at cost	76,750	-
Less accumulated depreciation	157	-
	<u>76,593</u>	<u>-</u>
Kerb and Channel		
at fair value as at 30 June 2012 (vi)	5,799,284	-
at fair value as at 30 June 2009 (iv)	-	3,836,533
Less accumulated depreciation	2,304,950	1,515,858
	<u>3,494,334</u>	<u>2,320,675</u>
at cost	-	46,190
Less accumulated depreciation	-	730
	<u>-</u>	<u>45,460</u>

	2012	2011
	\$	\$
Note 19 Property, plant and equipment, infrastructure (cont.)		
Other Community Infrastructure Assets		
at cost	3,673,675	2,213,703
Less accumulated depreciation	122,879	17,108
	<u>3,550,796</u>	<u>2,196,595</u>
Total Infrastructure	<u>159,460,938</u>	<u>133,105,888</u>
(iii) Valuation of infrastructure assets at 30 June 2008 was made by David Westphalen a qualified Engineer. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.		
(iv) Valuation of infrastructure assets at 30 June 2009 was made by Bruce Andrews, a qualified Civil and Municipal Engineer. The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation.		
(v) Valuation of infrastructure assets at 30 June 2011 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.		
(vi) Valuation of infrastructure assets at 30 June 2012 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.		
Works in progress		
Land improvements at cost	-	1,022,645
Buildings at cost	21,773	9,850
Roads at cost	-	120,960
Drains at cost	6,062	-
Footpaths at cost	116,682	-
Bridges at cost	275,047	83,226
Kerb and Channel at cost	30,426	-
Total Works in progress	<u>449,990</u>	<u>1,236,681</u>
Total property, infrastructure, plant and equipment	<u>221,558,127</u>	<u>195,871,254</u>

Note 19 Property, plant and equipment, infrastructure (cont.)

2012	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 24)	Depreciation and amortisation (note 9)	Written down value of disposals	Asset Contributions	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
Property								
land	26,199,000	-	-	-	-	75,000	-	26,274,000
Total land	26,199,000	-	-	-	-	75,000	-	26,274,000
buildings	32,594,559	283,752	-	(690,850)	-	185,000	9,850	32,382,311
Total buildings	32,594,559	283,752	-	(690,850)	-	185,000	9,850	32,382,311
Total property	58,793,559	283,752	-	(690,850)	-	260,000	9,850	58,656,311
Plant and Equipment								
plant, machinery and equipment	2,237,935	938,550	-	(597,799)	(123,817)	-	-	2,454,869
furniture and equipment	469,108	195,438	-	(188,184)	-	-	-	476,362
leased plant and equipment	28,083	61,367	-	(29,793)	-	-	-	59,657
Total plant and equipment	2,735,126	1,195,355	-	(815,776)	(123,817)	-	-	2,990,868
Infrastructure								
roads	99,337,216	4,318,074	13,221,553	(2,280,959)	(143,985)	1,534,171	120,960	116,107,030
bridges	15,660,278	44,268	7,150,102	(241,521)	-	-	83,227	22,696,354
major culverts	5,492,778	89,292	-	(94,050)	-	-	-	5,488,020
footpaths and cycleways	1,024,777	-	76,009	(16,085)	-	35,475	-	1,120,176
drainage	7,028,109	76,751	-	(100,632)	-	-	-	7,004,228
kerb and channel	2,366,135	-	1,122,944	(38,827)	-	44,082	-	3,494,334
waste management - landfill at cost	-	-	-	-	-	-	-	-
other community infrastructure assets	2,196,595	437,329	-	(105,773)	-	-	1,022,645	3,550,796
Total infrastructure	133,105,888	4,965,714	21,570,608	(2,877,847)	(143,985)	1,613,728	1,226,832	159,460,938
Works in progress								
land improvements at cost	1,022,645	-	-	-	-	-	(1,022,645)	-
buildings at cost	9,850	21,773	-	-	-	-	(9,850)	21,773
roads at cost	120,960	-	-	-	-	-	(120,960)	-
bridges at cost	83,226	275,048	-	-	-	-	(83,227)	275,047
Drainage at cost	-	6,062	-	-	-	-	-	6,062
Footpaths at cost	-	116,682	-	-	-	-	-	116,682
Kerb and Channel at cost	-	30,426	-	-	-	-	-	30,426
Total works in progress	1,236,681	449,991	-	-	-	-	(1,236,682)	449,990
Total property, plant and equipment, infrastructure	195,871,254	6,894,812	21,570,608	(4,384,473)	(267,802)	1,873,728	-	221,558,127

Note 19 Property, plant and equipment, infrastructure (cont.)

2011	Balance at beginning of financial year	Acquisition of assets	Revaluation increments (decrements) (note 24)	Depreciation and amortisation (note 9)	Written down value of disposals	Flood Damage adjusted through ARR	Transfers	Balance at end of financial year
	\$	\$	\$	\$	\$	\$	\$	\$
Property								
land	22,362,747	125,000	3,711,253	-	-	-	-	26,199,000
Total land	22,362,747	125,000	3,711,253	-	-	-	-	26,199,000
buildings	22,768,559	1,606,740	8,288,104	(595,514)	-	-	526,670	32,594,559
Total buildings	22,768,559	1,606,740	8,288,104	(595,514)	-	-	526,670	32,594,559
Total property	45,131,306	1,731,740	11,999,357	(595,514)	-	-	526,670	58,793,559
Plant and Equipment								
plant, machinery and equipment	2,264,623	644,508	-	(578,599)	(92,597)	-	-	2,237,935
furniture and equipment	473,087	265,261	-	(269,240)	-	-	-	469,108
leased plant and equipment	55,012	-	-	(26,929)	-	-	-	28,083
Total plant and equipment	2,792,722	909,769	-	(874,768)	(92,597)	-	-	2,735,126
Infrastructure								
roads	99,989,233	2,071,419	-	(2,209,662)	(315,802)	(220,000)	22,028	99,337,216
bridges	15,951,494	-	-	(241,216)	-	(50,000)	-	15,660,278
major culverts	5,824,104	6,747	-	(95,931)	-	(345,000)	102,858	5,492,778
footpaths and cycleways	1,040,862	-	-	(16,085)	-	-	-	1,024,777
drainage	6,924,294	-	202,812	(98,997)	-	-	-	7,028,109
kerb and channel	2,404,962	-	-	(38,827)	-	-	-	2,366,135
waste management - landfill at cost	-	-	-	-	-	-	-	-
other community infrastructure assets	178,534	851,440	-	(8,989)	-	-	1,175,610	2,196,595
Total infrastructure	132,313,483	2,929,606	202,812	(2,709,707)	(315,802)	(615,000)	1,300,496	133,105,888
Works in progress								
land improvements at cost	759,590	263,055	-	-	-	-	-	1,022,645
buildings at cost	526,670	9,850	-	-	-	-	(526,670)	9,850
roads at cost	65,309	77,679	-	-	-	-	(22,028)	120,960
bridges at cost	102,857	83,227	-	-	-	-	(102,858)	83,226
drainage at Cost	-	-	-	-	-	-	-	-
Landfill assets at Cost	-	-	-	-	-	-	-	-
other community infrastructure assets	1,175,610	-	-	-	-	-	(1,175,610)	-
Total works in progress	2,630,036	433,811	-	-	-	-	(1,827,166)	1,236,681
Total property, plant and equipment, infrastructure	182,867,547	6,004,926	12,202,169	(4,179,989)	(408,399)	(615,000)	-	195,871,254

	2012	2011
	\$	\$
Note 20 Trade and other payables		
Current		
Trade payables	811,767	2,094,213
Accrued expenses	576,560	671,338
	<u>1,388,327</u>	<u>2,765,551</u>
Non Current		
Accrued expenses (Vision Super defined benefits fund shortfall payable 1 July 2013 refer note 29)	1,263,958	-
Total trade and other payables	<u>1,263,958</u>	<u>-</u>
Total trade and other payables	<u>2,652,285</u>	<u>2,765,551</u>
Note 21 Trust funds and deposits		
Current		
Refundable building deposits (i)	19,000	19,000
Retention amounts (ii)	236,725	86,551
Other refundable deposits (iii)	164,214	173,404
	<u>419,939</u>	<u>278,955</u>
Non Current		
Trust funds bequested (iv)	67,980	67,980
	<u>67,980</u>	<u>67,980</u>
Total trust funds and deposits	<u>487,919</u>	<u>346,935</u>

- (i) Refundable building deposits are deposits relating to building and relocation permit conditions. These deposits are refunded once the building and relocation permit conditions are satisfied.
- (ii) Retention amounts are funds held for a defined defects and liability period of a contract entered into by Council. These funds are returned to the contractors once the conditions on the contract have been satisfied.
- (iii) Other refundable deposits are trust funds held by Council on behalf of individuals, committees or organisations. These funds are usually available at any time to the various third parties as and when required.
- (iv) Trust funds bequested are funds bequested to Council for the purpose of maintaining specific Council facilities. The interest income of these trust funds is applied to ongoing maintenance and improvements of these specific facilities.

Note 22 Provisions

	Annual leave	Long service leave	Landfill restoration	Other	Total
	\$	\$	\$	\$	\$
2012					
Balance at beginning of the financial year	825,775	1,029,531	575,000	-	2,430,306
Additional provisions	756,671	861,183	422,700	-	2,040,554
Amounts used	(642,722)	(438,463)	(71,088)	-	(1,152,273)
Balance at the end of the financial year	<u>939,724</u>	<u>1,452,251</u>	<u>926,612</u>	<u>-</u>	<u>3,318,587</u>
2011					
Balance at beginning of the financial year	839,289	1,208,397	371,322	-	2,419,008
Additional provisions	589,838	(107,608)	203,678	-	685,908
Amounts used	(603,352)	(71,258)	-	-	(674,610)
Balance at the end of the financial year	<u>825,775</u>	<u>1,029,531</u>	<u>575,000</u>	<u>-</u>	<u>2,430,306</u>

	2012 \$	2011 \$
Note 22 Provisions (cont.)		
Current		
Employee Benefits (a)	2,142,617	1,676,006
Landfill remediation provision (b)	504,612	575,000
	<u>2,647,229</u>	<u>2,251,006</u>
Non-current		
Employee Benefits (a)	249,358	179,300
Landfill remediation provision (b)	422,000	-
	<u>671,358</u>	<u>179,300</u>
Total provisions	<u>3,318,587</u>	<u>2,430,306</u>
(a) Employee benefits		
(i) Current		
All annual leave and the long service leave entitlements representing five or more years of continuous service;		
Annual leave and redundancy employee benefits, that fall due within twelve months after the end of the period measured at nominal value	819,724	739,775
Annual leave employee benefits, that are unlikely to be paid within twelve months after the end of the period measured at nominal value	120,000	86,000
Other long-term employee benefits that do not fall due within twelve months after the end of the period measured at present value	1,202,893	850,231
	<u>2,142,617</u>	<u>1,676,006</u>
(ii) Non Current		
Long service leave representing less than five years of continuous service measured at present value	249,358	179,300
	<u>2,391,975</u>	<u>1,855,306</u>
The following assumptions were adopted in measuring the present value of employee benefits:		
Weighted average increase in employee costs	3.00%	3.00%
Weighted average discount rates	2.95%	5.08%
Weighted average settlement period	16	16
(b) Landfill restoration provision		
Current	504,612	575,000
Non Current	422,000	-
Total	<u>926,612</u>	<u>575,000</u>

Under legislation Council is obligated to restore the Violet Town landfill site to a particular standard. The Violet Town landfill operations ceased in 2010/2011 and restoration work is expected to commence shortly.

	2012 \$	2011 \$
Note 23 Interest-bearing loans and borrowings		
<i>Current</i>		
Borrowings - secured	486,278	417,634
	<u>486,278</u>	<u>417,634</u>
<i>Non-current</i>		
Borrowings - secured	2,377,236	2,522,858
	<u>2,377,236</u>	<u>2,522,858</u>
Total	<u>2,863,514</u>	<u>2,940,492</u>
The maturity profile for Council's borrowings:		
Not later than one year	486,278	417,634
Later than one year and not later than five years	2,213,621	2,325,616
Later than five years	163,615	197,242
	<u>2,863,514</u>	<u>2,940,492</u>
<i>Finance leases</i>		
Council had the following obligations under finance leases for the lease of office equipment (the sum of which is recognised as a liability after deduction of future lease finance charges included in the obligation):		
Not later than one year	18,474	18,840
Later than one year and not later than five years	40,018	-
	<u>58,492</u>	<u>18,840</u>
<i>Current</i>		
Leases	18,474	18,840
<i>Non-current</i>		
Leases	40,018	-
Total	<u>58,492</u>	<u>18,840</u>
Aggregate carrying amount of interest-bearing loans and borrowings:		
Current	504,752	436,474
Non-current	2,417,254	2,522,858
Total interest bearing loans and liabilities	<u>2,922,006</u>	<u>2,959,332</u>

Note 24 Reserves

	Balance at beginning of reporting period \$	Increment (decrement) \$	Balance at end of reporting period \$
(a) Asset revaluation reserves			
2012			
Property			
Land	21,668,377	-	21,668,377
Buildings	29,013,861	-	29,013,861
	<u>50,682,238</u>	<u>-</u>	<u>50,682,238</u>
Infrastructure			
Roads	65,163,525	13,221,553	78,385,078
Bridges	5,261,072	7,150,102	12,411,174
Major culverts	585,058	-	585,058
Footpaths and cycleways	897,843	76,009	973,852
Drainage	4,491,417	-	4,491,417
Kerb and channel	1,766,900	1,122,944	2,889,844
	<u>78,165,815</u>	<u>21,570,608</u>	<u>99,736,423</u>
Total Asset revaluation reserves	<u>128,848,053</u>	<u>21,570,608</u>	<u>150,418,661</u>
2011			
Property			
Land	17,957,124	3,711,253	21,668,377
Buildings	20,725,757	8,288,104	29,013,861
	<u>38,682,881</u>	<u>11,999,357</u>	<u>50,682,238</u>
Infrastructure			
Roads	65,383,525	(220,000)	65,163,525
Bridges	5,311,072	(50,000)	5,261,072
Major culverts	930,058	(345,000)	585,058
Footpaths and cycleways	897,843	-	897,843
Drainage	4,288,605	202,812	4,491,417
Kerb and channel	1,766,900	-	1,766,900
	<u>78,578,003</u>	<u>(412,188)</u>	<u>78,165,815</u>
Total asset revaluation reserves	<u>117,260,884</u>	<u>11,587,169</u>	<u>128,848,053</u>

The purpose of each of the above asset revaluation reserves is to account for the valuation increment of a class of revalued assets and to account for revaluation decrements of previously upwards revalued assets.

	Balance at beginning of reporting period \$	Transfer from reserve \$	Transfer to reserve \$	Balance at end of reporting period \$
(a) Other reserves				
2012				
Bridge Replacement Reserve	-	-	200,000	200,000
Open space reserve	52,450	-	27,850	80,300
Total other reserves	<u>52,450</u>	<u>-</u>	<u>227,850</u>	<u>280,300</u>

Council determined to create a bridge replacement reserve as part of the 2011/12 budget.

The purpose of the open space reserve is to provide developer contribution funding for future open space infrastructure within the shire.

	2012 \$	2011 \$
Note 25 Reconciliation of cash flows from operating activities to surplus (deficit)		
Surplus/(deficit)	5,700,751	1,813,955
Depreciation/amortisation	4,384,473	4,179,989
Other expenses - written down value of infrastructure assets renewed	143,985	315,802
Contributions - non monetary assets	(1,873,728)	-
(Profit)/loss on disposal of property, plant and equipment	(161,318)	(45,700)
Finance costs	182,719	212,960
Decrease/(increase) in investments in associates	20,550	(26,332)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in trade and other receivables	674,061	(751,559)
(Increase)/decrease in other assets	(71,524)	(86,763)
Increase/(decrease) in trade and other payables	(113,266)	609,480
(Increase)/decrease in inventories	54,602	(51,963)
Increase/(decrease) in provisions	888,281	11,298
Net cash provided by/(used in) operating activities	<u>9,829,586</u>	<u>6,181,167</u>
Note 26 Reconciliation of cash and cash equivalents		
Cash and cash equivalents (see note 15)	8,310,928	5,170,080
	<u>8,310,928</u>	<u>5,170,080</u>
Note 27 Financing arrangements		
Loan facilities	2,863,514	2,940,492
Lease facilities	500,000	18,840
Bank overdraft	1,145,000	1,175,000
Used facilities	(2,863,514)	(2,959,332)
Unused facilities	<u>1,645,000</u>	<u>1,175,000</u>
Note 28 Restricted assets		
Council has cash and cash equivalents (note 15) that are subject to restrictions. As at the reporting date, Council had legislative restrictions in relation to reserve funds (Open Space Reserve).		
Long service leave (i)	-	999,881
Open space reserve (note 24)	80,300	52,450
Bridge Replacement Reserve (note 24)	200,000	-
Trust funds (note 21)	487,919	346,935
Restricted purpose grant monies (note 6)	911,678	558,932
	<u>1,679,897</u>	<u>1,958,198</u>

(i) Re: 2011 Comparative amount \$999,881. Restricted asset for long service leave is based on the Local Government (Long Service Leave) Regulations 2002 and does not necessarily equate to the long service leave liability disclosed in note 22 due to a different basis of calculation prescribed by the regulation. The Local Government (long service leave) Regulations 2012 has removed the obligation to record long service leave liabilities as a restricted asset.

Note 29 Superannuation

Council makes contributions to the following funds.

Details of superannuation contributions;

	2012	2011
	\$	\$
Defined benefits fund		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	65,400	88,848
	<u>65,400</u>	<u>88,848</u>
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) at reporting date	6,774	2,928
	<u>6,774</u>	<u>2,928</u>
Accumulation funds		
Employer contributions to Local Authorities Superannuation Fund (Vision Super) and other complying funds as nominated by the employee	614,834	556,924
	<u>614,834</u>	<u>556,924</u>
Employer contributions payable to Local Authorities Superannuation Fund (Vision Super) and other complying funds at reporting date	26,821	28,166
	<u>26,821</u>	<u>28,166</u>

The Local Authorities Superannuation Fund latest 31 December 2011 actuarial investigation identified an unfunded liability of \$406 million excluding the contributions tax in the defined benefit fund of which Council is a member. Council was made aware of the expected short fall through the year and was informed formally of their share of the short fall on 31 July 2012 which amounted to \$1,263,958 inclusive of contributions tax. Council does not expect to pay this shortfall until it is due 1 July 2013 and is continuing to investigate how it will be funded. Council has accounted for this short fall in the Comprehensive Income Statement in Employee Benefits (Note 8) and in the Balance Sheet as a non current payable (Note 20).

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

Note 30 Commitments

The Council has entered into the following commitments

2012	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Total \$
Operating				
Garbage collection & Recycling	552,354	301,687	-	854,041
Meals for delivery	59,006	-	-	59,006
Environmental Health	151,268	79,774	-	231,042
Ranger and Local Laws	193,206	108,716	-	301,922
Nagambie Regatta Centre - On Land Maintenance	92,290	92,290	30,770	215,350
Nagambie Regatta Centre - On Water Maintenance	22,000	22,000	9,172	53,172
Electrical Equipment - Testing & Tagging	6,845	-	-	6,845
Total	1,076,969	604,467	39,942	1,721,378
Capital				
Buildings	330,840	-	-	330,840
Roads	-	-	-	-
Plant and Machinery	250,243	-	-	250,243
Total	581,083	-	-	581,083
2011	Not later than 1 year \$	Later than 1 year and not later than 2 years \$	Later than 2 years and not later than 5 years \$	Total \$
Operating				
Garbage collection & Recycling	501,971	501,971	324,980	1,328,922
Meals for delivery	143,661	11,756	-	155,417
Environmental Health	144,121	151,268	59,637	355,026
Ranger and Local Laws	91,476	95,135	14,754	201,365
Veterinary Services	4,340	-	-	4,340
Strengthening Strathbogie in a Changing Climate	118,750	-	-	118,750
Environmental Management Strategy	31,500	-	-	31,500
Total	1,035,819	760,130	399,371	2,195,320
Capital				
Buildings	-	-	-	-
Roads	192,553	-	-	192,553
Land	142,262	-	-	142,262
Community Infrastructure Assets	-	-	-	-
Total	334,815	-	-	334,815

Note 31 Special committees and other activities

The following Section 86 Committees of Management have not been included in this financial report based on their materiality

Avenel Memorial Hall Committee
Balmattum Recreation Reserve Committee
Boho South Hall Committee
Creightons Creek Recreation Committee
Euroa Band Hall Committee
Euroa Friendlies Reserve Committee
Euroa Historical & Genealogical Society Committee
Euroa Third Age Committee
Gooram Soldiers Memorial Hall Committee
Longwood Community Centre Committee
Miepoll Public Hall Committee
Moglonemby Hall Committee
Nagambie Bowls Club Committee
Nagambie Croquet Club Committee
Nagambie Recreation Reserve Committee
Nagambie Senior Citizens Club Committee
Nagambie Speedway Committee
Nagambie Tennis Club Committee
Ruffy Recreational Reserve Committee
Strathbogie Memorial Hall Committee
Strathbogie Recreational Reserve Committee
Violet Town Community Complex Committee

Note 32 Contingent liabilities and contingent assets

Contingent liabilities

Council has no contingent liabilities at reporting date.

Contingent assets

Council has no contingent assets at reporting date.

Note 33 Financial Instruments
(a) Accounting Policy, terms and conditions

Financial Instruments	Note	Accounting Policy	Terms and Conditions
Financial assets			
Cash and cash equivalents	15	<p>Cash on hand and at bank and money market call account are valued at face value.</p> <p>Interest is recognised as it accrues.</p> <p>Investments are held to maximise interest returns of surplus cash.</p> <p>Interest revenues are recognised as they accrue.</p>	<p>On call deposits returned a floating interest rate of between .01% and 3.5% (0.01% and 4.2% in 2010/2011). The interest rate at balance date was 3.5% (3.9% in 2010/2011).</p> <p>Funds returned fixed interest rate of between 4.00% and 5.90% (4.95% to 6.25% in 2010/2011)</p>
Trade and other receivables			
Other debtors	16	<p>Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection in full is no longer probable. Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>General debtors are unsecured and interest free. Credit terms are usually up to 60 days.</p>
Financial Liabilities			
Trade and other payables	20	<p>Liabilities are recognised for amounts to be paid in the future for goods and services provided to Council as at balance date whether or not invoices have been received.</p>	<p>General Creditors are unsecured, not subject to interest charges and are normally settled within 30 days of invoice receipt.</p>
Interest-bearing loans and borrowings	23	<p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.</p> <p>Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rates implicit in the leases.</p>	<p>Borrowings are secured by way of mortgages over the general rates of the Council.</p> <p>The weighted average interest rate on borrowings is 6.56% during 2011/2012 (6.46% in 2010/2011).</p> <p>As at balance date, the Council had a finance lease with a lease term of less than 3 years.</p> <p>The weighted average rate implicit in the lease is 11.74% (8.04% in 2010/2011).</p>
Bank overdraft	27	<p>Overdrafts are recognised at the principal amount. Interest is charged as an expense as it accrues.</p>	<p>The overdraft is subject to annual review.</p> <p>It is secured by a mortgage over Council's general rates and is repayable on demand.</p> <p>The overdraft was not utilised during 2011/2012 (not utilised in 2010/2011).</p>

Note 33 Financial instruments (cont.)

(b) Interest Rate Risk

The exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

2012

	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	909,908	7,400,000	-	-	1,020	8,310,928
Other Financial assets	-	-	-	-	2,032	2,032
Trade and other receivables	-	-	-	-	648,741	648,741
Other Assets	-	-	-	-	17,167	17,167
Total financial assets	909,908	7,400,000	-	-	668,960	8,978,868
Weighted average interest rate	1.48%	4.49%				
Financial liabilities						
Trade and other payables	-	-	-	-	2,652,285	2,652,285
Trust funds and deposits	-	-	-	-	487,919	487,919
Interest-bearing loans and borrowings	-	504,752	2,253,639	163,615	-	2,922,006
Total financial liabilities	-	504,752	2,253,639	163,615	3,140,204	6,062,210
Weighted average interest rate		6.58%	6.52%	7.03%		
Net financial assets (liabilities)	909,908	6,895,248	(2,253,639)	(163,615)	(2,471,244)	2,916,658

2011

	Floating interest rate	Fixed interest maturing in:			Non-interest bearing	Total
		1 year or less	Over 1 to 5 years	More than 5 years		
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	969,060	4,200,000	-	-	1,020	5,170,080
Other Financial assets	-	-	-	-	2,032	2,032
Trade and other receivables	-	-	-	-	1,368,594	1,368,594
Other Assets	-	-	-	-	12,243	12,243
Total financial assets	969,060	4,200,000	-	-	1,383,889	6,552,949
Weighted average interest rate	2.48%	5.39%				
Financial liabilities						
Trade and other payables	-	-	-	-	2,765,551	2,765,551
Trust funds and deposits	-	-	-	-	346,935	346,935
Interest-bearing loans and borrowings	-	436,474	2,325,616	197,242	-	2,959,332
Total financial liabilities	-	436,474	2,325,616	197,242	3,112,486	6,071,818
Weighted average interest rate		6.63%	6.45%	7.67%		
Net financial assets (liabilities)	969,060	3,763,526	(2,325,616)	(197,242)	(1,728,597)	481,131

Note 33 Financial instruments (cont.)

(c) Net Fair Values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at balance date are as follows:

Financial Instruments	Total carrying amount as per Balance Sheet		Aggregate net fair value	
	2012	2011	2012	2011
	\$	\$	\$	\$
<i>Financial assets</i>				
Cash and cash equivalents	8,310,928	5,170,080	8,310,928	5,170,080
Other Financial assets	2,032	2,032	2,032	2,032
Trade and other receivables	648,741	1,368,594	648,741	1,368,594
Other Assets	17,167	12,243	17,167	12,243
Total financial assets	8,978,868	6,552,949	8,978,868	6,552,949
<i>Financial liabilities</i>				
Trade and other payables	2,652,285	2,765,551	2,652,285	2,765,551
Trust funds and deposits	487,919	346,935	487,919	346,935
Interest-bearing loans and borrowings	2,922,006	2,959,332	2,402,096	2,346,342
Total Financial liabilities	6,062,210	6,071,818	5,542,300	5,458,828

(d) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is represented by the carrying amount of those assets as indicated in the Balance Sheet.

(e) Risks and mitigation

The risks associated with our main financial instruments and our policies for minimising these risks are detailed below.

Market risk

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

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. Interest rate risk arises from interest bearing financial assets and liabilities that we use. Non derivative interest bearing assets are predominantly short term liquid assets. Our interest rate liability risk arises primarily from long term loans and borrowings at fixed rates which exposes us to fair value interest rate risk.

Our loan borrowings are sourced from major Australian banks by a tender process. Finance leases are sourced from major Australian financial institutions. Overdrafts are arranged with major Australian banks. We manage interest rate risk on our net debt portfolio by:

- ensuring access to diverse sources of funding;
- reducing risks of refinancing by managing in accordance with target maturity profiles; and
- setting prudential limits on interest repayments as a percentage of revenue.

We manage the interest rate exposure on our debt portfolio by appropriate budgeting strategies and obtaining approval for borrowings from the Department of Planning and Community Development each year.

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

- conformity with State and Federal regulations and standards,
- capital protection,
- appropriate liquidity,
- diversification by credit rating, financial institution and investment product,
- monitoring of return on investment,
- benchmarking of returns and comparison with budget.

Maturity will be staggered to provide for interest rate variations and to minimise interest rate risk.

Note 33 Financial Instruments (cont.)

Credit risk

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

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

Trade and other receivables consist of a large number of customers, spread across the consumer, business and government sectors. Credit risk associated with the Council's financial assets is minimal because the main debtor is the Victorian Government. Apart from the Victorian Government we do not have any significant credit risk exposure to a single customer or groups of customers. Ongoing credit evaluation is performed on the financial condition of our customers and, where appropriate, an allowance for doubtful debts is raised.

We may also be subject to credit risk for transactions which are not included in the balance sheet, such as when we provide a guarantee for another party. Details of our contingent liabilities are disclosed in note 32.

Movement in Provisions for Doubtful Debts

	2012	2011
	\$	\$
Balance at the beginning of the year	4,065	2,278
New provisions recognised during the year	-	1,787
Amounts provided for but recovered during the year	3,172	-
Balance at the end of the year	<u>893</u>	<u>4,065</u>

Ageing of Trade and Other 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 who there is no recent history of default. The ageing of the Council's Trade and Other Receivables was:

	2012	2011
	\$	\$
Current (not yet due)	358,385	645,517
Past due by up to 30 days	213,997	400,039
Past due between 31 and 180 days	67,286	320,846
Past due between 181 and 365 days	68	737
Past due by more than 1 year	9,005	1,455
Total Trade and Other Receivables	<u>648,741</u>	<u>1,368,594</u>

Ageing of individually impaired Trade and Other Receivables

At balance date, other debtors representing financial assets with a nominal value of \$893 (2011 \$4,065) were impaired. The amount of the provision raised against these debtors was \$893 (2011: \$4,065). The individually impaired debtors relate to general and sundry debtor and have been impaired as a result of their doubtful collection. Many of the long outstanding past due amounts have been lodged with Council's debt collectors or are on payment arrangements.

The ageing of Trade and Other Receivables that have been individually determined as impaired at reporting date was:

	2012	2011
	\$	\$
Past due between 31 and 180 days	893	-
Total Trade and Other Receivables	<u>893</u>	<u>-</u>

Note 33 Financial Instruments (cont.)

Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help reduce these risks we:

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

The Council's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The table below lists the contractual maturities for Financial Liabilities.

These amounts represent undiscounted gross payments including both principal and interest amounts.

2012	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow	Carrying Amount
	\$	\$	\$	\$	\$		
Trade and other payables	1,388,327	-	1,263,958	-	-	2,652,285	2,652,285
Trust funds and deposits	419,939	-	67,980	-	-	487,919	487,919
Interest-bearing loans and borrowings	247,478	257,273	538,834	1,613,265	265,156	3,482,441	2,922,006
Total financial liabilities	2,055,744	257,273	1,870,772	1,613,265	265,156	6,062,210	6,062,210

2011	6 mths or less	6-12 months	1-2 years	2-5 years	>5 years	Contracted Cash Flow	Carrying Amount
	\$	\$	\$	\$	\$		
Trade and other payables	2,765,551	-	-	-	-	2,765,551	2,765,551
Trust funds and deposits	278,955	-	67,980	-	-	346,935	346,935
Interest-bearing loans and borrowings	309,558	307,776	597,733	1,706,546	693,504	3,615,117	2,959,332
Total financial liabilities	3,354,064	307,776	665,713	1,706,546	693,504	6,727,603	6,071,818

(f) Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Council believes the following movements are 'reasonably possible' over the next 12 months (Base rates are sourced from the Reserve Bank of Australia):

- A parallel shift of +1% and -1% in market interest rates (AUD) from year-end rates of 3.50%.

The table below discloses the impact on net operating result and equity for each category of financial instruments held by the Council at year-end, if the above movements were to occur.

2012		Interest rate risk			
		-1 %		+1%	
		-100 basis points		+100 basis points	
	\$	Profit	Equity	Profit	Equity
Financial assets:					
Cash and cash equivalents	8,310,928	(83,109)	(83,109)	83,109	83,109
Financial liabilities:					
Interest-bearing loans and borrowings	2,922,006	29,220	29,220	(29,220)	(29,220)

2011		Interest rate risk			
		-1 %		+1%	
		-100 basis points		+100 basis points	
	\$	Profit	Equity	Profit	Equity
Financial assets:					
Cash and cash equivalents	5,170,080	(51,701)	(51,701)	51,701	51,701
Financial liabilities:					
Interest-bearing loans and borrowings	2,959,332	29,593	29,593	(29,593)	(29,593)

Note 34 Auditors' remuneration	2012	2011
	\$	\$
Audit fee to conduct external audit - Victorian Auditor-General	27,042	26,292
Internal audit fees - Richmond Sinnott Delahunty	325	12,228
Internal audit fees - Audit Committee	5,600	3,200
	<u>32,967</u>	<u>41,720</u>

Note 35 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:

Councillors	Howard Myers	(Councillor 1/7/11 to current)
	Peter Woodhouse	(Councillor 1/7/11 to current)
	Neil Murray	(Councillor 1/7/11 to current)
	Debra Swan	(Councillor 1/7/11 to current)
	Colleen Furlanetto	(Councillor 1/7/11 to current)
	Malcolm Little	(Councillor 1/7/11 to current)
	Graeme (Mick) Williams	(Mayor 1/7/11 to current)
Chief Executive Officer	Steve Crawcour	(1/7/11 to 30/6/12)

(ii) Remuneration of Responsible Persons

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

	2012	2011
	No.	No.
\$10,000 - \$19,999	3	3
\$20,000 - \$29,999	3	4
\$30,000 - \$39,999	1	1
\$110,000 - \$119,999	-	-
\$170,000 - \$179,999	1	1
\$190,000 - \$199,999	-	-
	<u>8</u>	<u>9</u>
	\$	\$
Total Remuneration for the reporting year for Responsible Persons included above amounted to:	351,542	376,755

(iii) No retirement benefits have been made by the Council to a Responsible Person. (2010/11, Nil).

(iv) No loans have been made, guaranteed or secured by the Council to a Responsible Person during the reporting year (2010/11, Nil).

(v) Other Transactions

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 (2010/11, Nil).

(vi) Senior Officers Remuneration

A Senior Officer other than a Responsible Person, is an officer of Council whose total annual remuneration exceeds \$127,000, or if remuneration is less than \$127,000 has management responsibilities and reports directly to the Chief Executive Officer.

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

	2012	2011
	No.	No.
Income Range:		
< \$127,000	4	3
\$130,000 - \$139,999	-	1
\$150,000 - \$159,999	1	-
	<u>5</u>	<u>4</u>
	\$	\$
Total Remuneration for the reporting year for Senior Officers included above, amounted to:	412,890	265,218

Note 36 Revenue, expenses and assets by function/activities

	Corporate and Community		Sustainable Development		Asset Services		Total	
	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$	2012 \$	2011 \$
INCOME								
Grants	4,395,982	3,788,434	263,666	117,244	7,829,580	7,770,128	12,489,228	11,675,806
Other	14,198,938	13,036,250	340,995	374,748	2,822,192	571,273	17,362,125	13,982,271
TOTAL	18,594,920	16,824,684	604,661	491,992	10,651,772	8,341,401	29,851,353	25,658,077
EXPENSES	(7,955,398)	(6,230,200)	(2,868,795)	(3,988,549)	(13,326,409)	(13,625,373)	(24,150,602)	(23,844,122)
SURPLUS (DEFICIT) FOR THE YEAR	10,639,522	10,594,484	(2,264,134)	(3,496,557)	(2,674,637)	(5,283,972)	5,700,751	1,813,955
ASSETS ATTRIBUTED TO FUNCTIONS/ACTIVITIES*	4,801,796	4,388,403	2,742,606	1,706,126	224,501,342	197,801,183	232,045,744	203,895,712

Assets have been attributed to functions/activities based on the control and/or custodianship of specific assets.

Corporate and Community

General Administration, Finance & Governance, Debt Servicing, Community Services including Preschools, Infants and Mothers, Health, Aged and Disabled, Housing.

Sustainable Development

Economic Development, Planning and Building, Compliance, Environmental Health, Tourism, Nagambie Lakes Regatta Centre, Tourism, Events.

Asset Services

Saleyards, Caravan Parks, Road Construction, Road Maintenance, Gravel Resheeting, Reseals, Drainage, Kerb and Channel, Footpaths, Bridges, Depot, Parks & Reserves, Swimming Pools, Building Maintenance, Waste Management, Engineering Design, Emergency Services.

Note 37 Financial Ratios (Performance Indicators)	2012	2012	2011	2011	2010	2010
	\$	(%)	\$	(%)	\$	(%)
(a) Debt servicing ratio (to identify the capacity of Council to service its outstanding debt)						
<u>Debt servicing costs</u>	182,719	= 0.61%	212,960	= 0.83%	206,973	= 0.98%
Total revenue	29,851,353		25,658,077		21,076,565	
Debt servicing costs refer to the payment of interest on loan borrowings, finance lease, and bank overdraft. The ratio expresses the amount of interest paid as a percentage of Council's total revenue.						
(b) Debt commitment ratio (to identify Council's debt redemption strategy)						
<u>Debt servicing & redemption costs</u>	621,412	= 4.79%	632,506	= 5.30%	672,646	= 6.49%
Rate revenue	12,960,775		11,929,899		10,356,756	
The strategy involves the payment of loan principal and interest, finance lease principal and interest. The ratio expresses the percentage of rate revenue utilised to pay interest and redeem debt principal.						
(c) Revenue ratio (to identify Council's dependence on non-rate income)						
<u>Rate revenue</u>	12,960,775	= 43.42%	11,929,899	= 46.50%	10,356,756	= 49.14%
Total revenue	29,851,353		25,658,077		21,076,565	
The level of Council's reliance on rate revenue is determined by assessing rate revenue as a proportion of the total revenue of Council.						
(d) Debt Exposure Ratio (to identify Council's exposure to debt)						
<u>Total indebtedness</u>	9,380,797	= 13.26%	7,502,243	= 10.93%	7,356,527	= 13.12%
Total realisable assets	70,748,683		68,654,850		56,065,669	
For the purposes of the calculation of financial ratios, realisable assets are those assets which can be sold and which are not subject to any restriction on realisation or use.						
Any liability represented by a restricted asset (note 28) is excluded from total indebtedness.						
The following assets are excluded from total assets when calculating Council's realisable assets:						
Land and buildings on Crown land; restricted assets; heritage assets; total infrastructure assets; and Council's investment in associate.						
This ratio enables assessment of Council's solvency and exposure to debt. Total indebtedness refers to the total liabilities of Council. Total liabilities are compared to total realisable assets which are all Council assets not subject to any restriction and are able to be realised. The ratio expresses the percentage of total liabilities for each dollar of realisable assets.						
(e) Working Capital Ratio (to assess Council's ability to meet current commitments)						
<u>Current assets</u>	10,329,359	= 208.24%	7,845,650	= 136.87%	7,340,534	= 153.90%
Current liabilities	4,960,247		5,731,986		4,769,722	
The ratio expresses the level of current assets the Council has available to meet its current liabilities.						
(f) Adjusted Working Capital Ratio (to assess Council's ability to meet current commitments)						
<u>Current assets</u>	10,329,359	= 274.91%	7,845,650	= 160.71%	7,340,534	= 195.22%
Current liabilities	3,757,354		4,881,755		3,760,050	
The ratio expresses the level of current assets the Council has available to meet its current liabilities.						
Current liabilities have been reduced to reflect the long service leave that is shown as a current liability because Council does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date, but is not likely to fall due within twelve months after the end of the period.						

		2012	2011
		\$	\$
Note 38	Capital expenditure		
	Capital expenditure areas		
	Land	-	125,000
	Buildings	283,752	1,606,740
	Roads	4,318,074	2,071,419
	Bridges and culverts	133,560	6,747
	Footpaths	-	-
	Drainage	76,751	-
	Plant and equipment	938,550	644,508
	Furniture and equipment	256,805	265,261
	Kerb	-	-
	Other community infrastructure assets	437,329	851,440
	Work in progress	449,991	433,811
	Total capital works	6,894,812	6,004,926
	Represented by:		
	Renewal of infrastructure	(a) 4,217,528	2,121,759
	Upgrade of infrastructure	(b) 670,621	117,315
	New infrastructure	68,457	-
	New land	-	388,055
	New buildings	187,029	177,463
	Renewal of buildings	(a) 96,723	-
	Upgrade of buildings	(b) 21,773	1,300,312
	Renewal plant and equipment	938,550	643,626
	New Community Infrastructure Assets	406,300	1,092,867
	Renewal Community Infrastructure Assets	31,029	-
	New furniture and equipment	195,438	163,529
	New Leased photocopiers	61,364	-
	Total capital works	6,894,812	6,004,926

Reconciliation of property, plant and equipment, infrastructure and non current assets classified as held for sale

Property, plant and equipment, infrastructure movement

Total capital works		6,894,812	6,004,926
Assets contributed	19	1,873,728	-
Asset revaluation movement	24	21,570,608	11,587,169
Depreciation/amortisation	10	(4,384,473)	(4,179,989)
Written down value of infrastructure assets renewed	12	(143,985)	(315,802)
Written down value of property, plant and equipment disposed	13	(123,817)	(92,597)
Net movement in property, plant and equipment, infrastructure	19	25,686,873	13,003,707

Non current assets classified as held for sale

Written down value of non current assets classified as held for sale disposed		-	(267,125)
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Total movement in property, plant and equipment, infrastructure and non current assets classified as held for sale

		25,686,873	12,736,582
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(a) Renewal

Expenditure on an existing asset which returns the service potential or the life of the asset up to that which it had originally. It is periodically required expenditure, relatively large (material) in value compared with the value of the components or sub-components of the asset being renewed. As it reinstates existing service potential, it has no impact on revenue, but may reduce future operating and maintenance expenditure if completed at the optimum time.

(b) Upgrade

Expenditure which enhances an existing asset to provide a higher level of service or expenditure that will increase the life of the asset beyond that which it had originally. Upgrade expenditure is discretionary and often does not result in additional revenue unless direct user charges apply. It will increase operating and maintenance expenditure in the future because of the increase in the Council's asset base.

(c) Expansion

Expenditure which extends an existing asset, at the same standard as is currently enjoyed by residents, to a new group of users. It is discretionary expenditure which increases future operating and maintenance costs, because it increases council's asset base, but may be associated with additional revenue from the new user group.

Note 39 Events occurring after balance date

No events have occurred subsequent to balance date that would require adjustment to, or disclosure in, the financial report. (Nil 2010/11)

Certification of the Financial Report

In my opinion the accompanying financial statements have been prepared in accordance with the *Local Government Act 1989*, the *Local Government (Finance and Reporting) Regulations 2004*, *Australian Accounting Standards* and other mandatory professional reporting requirements.



Stephen Cloney, B.Bus, CPA
Principal Accounting Officer

Date : 18 September, 2012
Euroa

In our opinion the accompanying financial statements present fairly the financial transactions of Strathbogie Shire Council for the year ended 30 June 2012 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 on the 18th September, 2012 to certify the financial statements in their final form.



Graeme (Mick) Williams
Councillor

Date : 18 September, 2012
Euroa



Neil Murray
Councillor

Date : 18 September, 2012
Euroa



Steve Crawcour
Chief Executive Officer

Date : 18 September, 2012
Euroa

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Strathbogie Shire Council

The Financial Report and Standard Statements

The accompanying financial report for the year ended 30 June 2012 of Strathbogie Shire Council which comprises comprehensive income statement, balance sheet, statement of changes in equity and cash flow statement, notes comprising a summary of the significant accounting policies and other explanatory information, and the certification of the financial report has been audited.

The accompanying standard statements for the year ended 30 June 2012 of the Council which comprises standard income statement, standard balance sheet, standard cash flow statement and standard statement of capital works, the related notes and the certification of standard statement have been audited.

The Councillors' Responsibility for the Financial Report and Standard Statements

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 standard statements in accordance with the basis of preparation as described in Note 1 to the statements and the 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 and standard statements that are 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 and standard statements 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 whether the financial report and standard statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and standard statements. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report and standard statements, 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 and standard statements 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 in the financial report
- the reasonableness of accounting estimates made by the Councillors
- the overall presentation of the financial report and standard statements.

Independent Auditor's Report (continued)

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

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, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion:

- (a) the financial report presents fairly, in all material respects, the financial position of Strathbogie Shire Council as at 30 June 2012 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*.
- (b) the standard statements present fairly, in all material respects, in accordance with the basis of preparation as described in Note 1 to the statements and comply with the requirements of the *Local Government Act 1989*.

Basis of Accounting for Standard Statements

Without modifying my opinion, I draw attention to Note 1 to the standard statements, which describes the basis of accounting. The standard statements are prepared to meet the requirements of the *Local Government Act 1989*. As a result, the standard statements may not be suitable for another purpose.

Matters Relating to the Electronic Publication of the Audited Financial Report and Standard Statements

This auditor's report relates to the financial report and standard statements of the Strathbogie Shire Council for the year ended 30 June 2012 included both in the Strathbogie Shire Council's annual report and on the website. The Councillors of the Strathbogie Shire Council are responsible for the integrity of the Strathbogie Shire Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report and standard statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and standard statements to confirm the information contained in the website version of the financial report and standard statements.

MELBOURNE
20 September 2012


J. D. R. Pearson
Auditor-General

FINANCIAL REPORTS

**Strathbogie Shire Council
PERFORMANCE STATEMENT
FOR THE YEAR ENDED 30 JUNE 2012**

INTRODUCTION TO THE PERFORMANCE STATEMENT

The Victorian Government is of the view that it is reasonable to expect all councils to collect and publish performance information. Local government authorities must develop performance accountability mechanisms which allow for a consistent approach in the collection and reporting of information regarding financial performance, operating costs and community satisfaction. Without comparable figures, a great deal of benefit of measuring performance is lost.

Section 132 of the Local Government Act 1989 states that Council must prepare a Performance Statement, and the Performance Statement must include Key Strategic Activities (KSA) and performance targets and measures specified in the budget for that financial year. The Performance Statement must also include actual results achieved for that financial year having regard to those performance targets and measures.

The use of performance indicators by local government is a significant first step towards achieving:

- An improved capacity to objectively measure council performance leading to a better set of relationships between state and local government
- Better informed local communities

Performance Statement For the Year Ended 30 June 2012

Note	Performance Measures	KSA Targets 11/12	Actual	Achieved Yes/No
1	1. A sustainable community that responds effectively to the challenges of climate change (Climate Change) <ul style="list-style-type: none"> ▪ Conduct a minimum of 4 meetings of the Environment Committee ▪ Conduct passive driving and route planning training for staff 	30-Jun-12	25-Oct-11	Yes
		31-Mar-12	13-Sep-11	No
2	2. A safe, connected infrastructure network that responds effectively to community needs (Infrastructure) <ul style="list-style-type: none"> ▪ Council to include drainage study reports for Euroa, Avenel, Nagambie and Violet Town in the Municipal Strategic Statement as a reference document. ▪ Complete landfill capping works at the Violet Town Landfill and redevelop waste transfer facilities on site. 	30-Jun-12	Incomplete	No
		30-Jun-12	Incomplete	No
4	3. An environment which provides opportunity and support for sustainable investment (Private Enterprise) <ul style="list-style-type: none"> ▪ Seek authorisation by Minister to commence Rural Living rezoning process as detailed in the Nagambie Growth Management Strategy ▪ Develop and seek Council endorsement for a Shire Wide Economic Dev. Strategy 	31-May-12	6-Jun-12	No
		30-Jun-12	29-Jun-12	Yes
	4. A community that has access to a comprehensive range of services which respond to its diverse needs (Public Institutions) <ul style="list-style-type: none"> ▪ Conduct (4) four meetings of the Strathbogie Shire Health Service Coordination Project 	31-Mar-12	2-Feb-12	Yes
6	5. A progressive and diverse destination offering a committed, participative community that has access to a broad range of recreational and cultural activities in a liveable, safe and nurturing environment (Housing & Recreational) <ul style="list-style-type: none"> ▪ Work with GRVT to submit an Expression of Interest for the 2011 Melbourne Cup Tour 	31-Oct-11	June 2011	Yes
7	6. A desirable destination which attracts visitors to enhance the economic and recreational opportunities for our community (Tourism) <ul style="list-style-type: none"> ▪ Formalise the Nagambie Waterways Recreational and Commercial Strategy Advisory Group by Council endorsement ▪ Develop and complete the Plunkett Fowles "Welcome Shop". 	31-Aug-11	19-Jul-11	Yes
		31-Dec-11	September 2012	Yes
8	7. An organisation which meets the community's needs and expectations with responsive, innovative customer service and management (Organisation) <ul style="list-style-type: none"> ▪ Complete the relocation of SES Headquarters for Euroa ▪ Develop and Implement Council wide e-learning system 	31-May-12	8-Sep-12	No
		31-Mar-12	20-Mar-12	Yes

Note	Explanations
1	3 Council employees have completed driving training at Driver Education Centre of Australia, however the course did not align with Council's requirements. Negotiations with the National Industrial Skills Training Centre are underway to provide a more suitable training program.
2	Drainage plans have been completed and the Municipal Strategic Statement, amendment C50 makes general reference to the issue of drainage (clause 21.06-5). A request for the Minister's authorisation to prepare amendment C50 was sent to the Minister on 6 June 2012. C50 will be on exhibition from 26 July 2012 to 27 August 2012. C50 will be updated to specifically include drainage study reports for Euroa, Avenel, Nagambie and Violet Town prior to adoption.
3	EPA Victoria has upgraded its requirements to include a site risk assessment and the preparation and implementation of an Environmental Monitoring Program (EMP). The EMP is expected to be completed by September 2012. Based on the risk assessment outcomes a design review is expected to be completed by December 2012. Tenders for the construction of the landfill cap are planned to be sought in March 2013 and construction to be undertaken May to July 2013.
4	The Municipal Strategic Statement, amendment (C50), includes reference to the investigation of areas for Rural Living opportunities in Nagambie. A request for the Minister's authorisation to prepare amendment C50 was sent to the Minister on 6 June 2012. C50 will be on exhibition from 26 July 2012 to 27 August 2012.
5	Provided in 2012/13 Budget. Funding approval received 29 June 2012.
6	The June 2011 KSA target in the budget was an error and should have been removed once tender results were released, prior to finalising and adopting the budget in July 2012.
7	The Welcome Shop agreement was executed on 2 March 2011. Operations began subsequent to that date and the facility was fully operational by 31 December 2011.
8	The Euroa SES unity has been in the process of relocating to the new premises since May 2012. The official opening is scheduled for 8 September 2012.

CERTIFICATION OF PERFORMANCE STATEMENT

In our opinion, the accompanying performance statement of the Strathbogie Shire Council in respect of the financial year ended 30 June 2012 is presented fairly in accordance with the Local Government Act 1989.

The statement outlines the performance targets and measures set out in relation to the achievement of the Key Strategic Activities in respect of that year described in Council's budget and describes the extent to which the Key Strategic Activities were met in that year having regard to those targets and measures.

As at the date of signing, we are not aware of any circumstance which would render any particulars in the Performance Statement to be misleading or inaccurate.



.....

Councillor
Graeme (Mick) Williams



.....

Councillor
Neil Murray



.....

Chief Executive Officer
Steve Crawcour

Euroa

Date 18/09/2012

INDEPENDENT AUDITOR'S REPORT

To the Councillors, Strathbogie Shire Council

The Performance Statement

The accompanying performance statement for the year ended 30 June 2012 of the Strathbogie Shire Council which comprises the statement, the related notes and the certification of performance statement has been audited.

The Councillors' Responsibility for the Performance Statement

The Councillors of the Strathbogie Shire Council are responsible for the preparation and fair presentation of the performance statement in accordance with the *Local Government Act 1989*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the performance statement that is free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance statement. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the performance statement, 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 performance statement 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 overall presentation of the performance statement.

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

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 the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Independent Auditor's Report (continued)

Auditor's Opinion

In my opinion, the performance statement of the Strathbogie Shire Council in respect of the 30 June 2012 financial year presents fairly, in all material respects, in accordance with the *Local Government Act 1989*.

Matters Relating to the Electronic Publication of the Audited Performance Statement

This auditor's report relates to the performance statement of the Strathbogie Shire Council for the year ended 30 June 2012 included both in the Strathbogie Shire Council's annual report and on the website. The Councillors of the Strathbogie Shire Council are responsible for the integrity of the Strathbogie Shire Council's website. I have not been engaged to report on the integrity of the Strathbogie Shire Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from this statement. If users of the performance statement are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the performance statement to confirm the information contained in the website version of the performance statement.

MELBOURNE
20 September 2012


D D R Pearson
Auditor-General