



# Strathbogie *shire*

Strathbogie Shire Council  
ANNUAL FINANCIAL REPORT

*For the Year Ended 30 June 2017*

**Strathbogie Shire Council**  
**Financial Report**  
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**Comprehensive Income Statement  
For the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
<b>Income</b>			
Rates and charges	3	18,066,579	17,234,171
Statutory fees and fines	4	389,726	312,662
User fees	5	700,096	760,261
Grants - operating	6	8,040,081	2,845,167
Grants - capital	6	3,194,120	4,058,600
Contributions - monetary	7	426,872	284,537
Contributions - non monetary	7	562,892	764,950
Share of net profits of associates	16	2,981	-
Bad and doubtful debts	12	-	12,388
Other income	9	813,574	1,930,660
<b>Total income</b>		<b>32,196,921</b>	<b>28,203,396</b>
<b>Expenses</b>			
Employee costs	10	(8,981,770)	(9,000,012)
Materials and services	11	(11,444,645)	(11,078,552)
Share of net loss of associates	16	-	(3,321)
Depreciation	13	(5,347,074)	(5,120,192)
Borrowing costs	14	(77,703)	(122,433)
Net loss on disposal of property, infrastructure, plant and equipment	8	(567,726)	(2,936,102)
Other expenses	15	(586,623)	(288,020)
<b>Total expenses</b>		<b>(27,005,541)</b>	<b>(28,548,632)</b>
<b>(Deficit)/surplus for the year</b>		<b>5,191,380</b>	<b>(345,236)</b>
<b>Other comprehensive income</b>			
Net asset revaluation increment/(decrement)	28	9,810,761	11,552,041
<b>Total comprehensive result</b>		<b>15,002,141</b>	<b>11,206,805</b>

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

**Balance Sheet**  
**As at 30 June 2017**

	Note	2017	2016
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	17	12,242,105	9,379,978
Other financial assets	19	2,200,000	1,200,000
Trade and other receivables	18	1,754,830	1,823,508
Inventories	20	7,848	5,989
Non-current assets classified as held for sale	21	926,800	1,737,974
Other assets	22	314,308	112,901
<b>Total current assets</b>		<b>17,445,891</b>	<b>14,260,350</b>
<b>Non-current assets</b>			
Investments in associates	16	244,501	241,520
Property, infrastructure, plant and equipment	23	285,836,580	274,451,379
Other financial assets	19	66,847	2,032
<b>Total non-current assets</b>		<b>286,147,928</b>	<b>274,694,931</b>
<b>Total assets</b>		<b>303,593,819</b>	<b>288,955,281</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	24	3,121,293	2,712,549
Trust funds and deposits	25	352,439	762,242
Provisions	26	3,164,538	3,038,147
Interest-bearing loans and borrowings	27	511,551	488,195
<b>Total current liabilities</b>		<b>7,149,821</b>	<b>7,001,133</b>
<b>Non-current liabilities</b>			
Trust funds and deposits	25	63,486	67,980
Provisions	26	1,158,453	1,154,814
Interest-bearing loans and borrowings	27	690,634	1,202,063
<b>Total non-current liabilities</b>		<b>1,912,573</b>	<b>2,424,857</b>
<b>Total liabilities</b>		<b>9,062,394</b>	<b>9,425,990</b>
<b>Net assets</b>		<b>294,531,425</b>	<b>279,529,291</b>
<b>Equity</b>			
Accumulated surplus		86,289,937	81,110,414
Reserves	28	208,241,488	198,418,877
<b>Total Equity</b>		<b>294,531,425</b>	<b>279,529,291</b>

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

Statement of Changes in Equity  
For the Year Ended 30 June 2017

	Note	Total	Accumulated Surplus	Revaluation Reserve	Other Reserves
		\$	\$	\$	\$
2017					
Balance at beginning of the financial year		279,529,290	81,110,414	197,718,476	700,400
Surplus/(deficit) for the year		5,191,373	5,191,373	-	-
Net asset revaluation increment/(decrement)	28(a)	9,810,760	-	9,810,760	-
Transfers from other reserves	28(b)	-	-	-	-
Transfers to other reserves	28(b)	-	(11,850)	-	11,850
<b>Balance at end of the financial year</b>		<b>294,531,425</b>	<b>86,289,937</b>	<b>207,529,236</b>	<b>712,250</b>
2016					
Balance at beginning of the financial year		268,322,485	81,455,650	186,166,435	700,400
Surplus/(deficit) for the year		(345,236)	(345,236)	-	-
Net asset revaluation increment/(decrement)	28(a)	11,552,041	-	11,552,041	-
Transfers to other reserves	28(b)	-	-	-	-
Transfers from other reserves	28(b)	-	-	-	-
<b>Balance at end of the financial year</b>		<b>279,529,290</b>	<b>81,110,414</b>	<b>197,718,476</b>	<b>700,400</b>

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

**Statement of Cash Flows**  
**For the Year Ended 30 June 2017**

	2017	2016
	Inflows/ (Outflows)	Inflows/ (Outflows)
Note	\$	\$
<b>Cash flows from operating activities</b>		
Rates and charges	17,974,619	17,156,320
Statutory fees and fines	389,726	312,662
User fees	724,869	556,563
Grants - operating	8,075,151	2,845,167
Grants - capital	3,194,120	4,058,600
Contributions - monetary	426,872	284,537
Interest received	284,653	275,168
Trust funds and deposits taken	173,301	586,049
Other receipts	528,921	632,248
Net GST refund/(payment)	1,646,096	1,578,333
Employee costs	(8,851,740)	(9,096,126)
Materials and services	(12,844,954)	(11,745,806)
Trust funds and deposits repaid	(587,598)	(319,481)
Other payments	(586,623)	(288,020)
<b>Net cash provided by operating activities</b>	<b>29</b> <u>10,547,413</u>	<u>6,836,214</u>
<b>Cash flows from investing activities</b>		
Payments for property, infrastructure, plant and equipment	23 (6,607,667)	(7,347,261)
Proceeds from sale of property, infrastructure, plant and equipment	488,157	450,071
<b>Net cash used in investing activities</b>	<u>(6,119,510)</u>	<u>(6,897,190)</u>
<b>Cash flows from financing activities</b>		
Finance costs	(77,703)	(122,431)
Repayment of borrowings	-	(424,822)
Funds transferred to other financial assets	(488,073)	
<b>Net cash used in financing activities</b>	<u>(565,776)</u>	<u>(547,253)</u>
Net (decrease)/increase in cash and cash equivalents	3,862,127	(608,230)
Cash and cash equivalents at the beginning of the financial year	9,379,978	9,988,208
Reclassification of cash as other financial assets	(1,000,000)	-
<b>Cash and cash equivalents at the end of the financial year</b>	<u>12,242,105</u>	<u>9,379,978</u>
Financing arrangements	30	
Restrictions on cash assets	17	

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

**Statement of Capital Works  
For the Year Ended 30 June 2017**

	Note	2017 \$	2016 \$
<b>Property</b>			
Land		94,721	143,188
Buildings		1,017,086	1,188,625
<b>Total property</b>		<u>1,111,807</u>	<u>1,331,813</u>
<b>Plant and equipment</b>			
Plant, machinery and equipment		324,701	633,098
Computers and telecommunications		434,172	299,711
<b>Total plant and equipment</b>		<u>758,872</u>	<u>932,809</u>
<b>Infrastructure</b>			
Roads		3,001,229	4,016,134
Bridges and culverts		956,819	736,059
Footpaths		116,689	169,636
Drainage		505,575	179,307
Kerb and channel		-	61,818
Open Space		156,676	-
<b>Total infrastructure</b>		<u>4,736,987</u>	<u>5,162,954</u>
<b>Total capital works expenditure</b>		<u>6,607,667</u>	<u>7,427,576</u>
<b>Represented by:</b>			
New asset expenditure		873,658	536,354
Asset renewal expenditure		5,254,682	6,244,628
Asset expansion expenditure		113,901	-
Asset upgrade expenditure		365,427	646,594
<b>Total capital works expenditure</b>		<u>6,607,667</u>	<u>7,427,576</u>

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

### Introduction

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

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

### Statement of compliance

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

### Note 1 Significant accounting policies

#### (a) Basis of accounting

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

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

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

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

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

#### (b) Changes in accounting policies

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

#### (c) Committees of management

The value of land and buildings occupied and/or utilised by Council committees of management is consolidated in Council's balance sheet as at 30 June 2017.

The following committees of management as at 30 June 2017 are not included in this financial report as they are not controlled by Council and accordingly prepare their own financial reports separately:

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



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

**(d) Accounting for investments in associates and joint arrangements**

*Associates*

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

*Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

*(i) Joint operations*

Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate headings.

*(ii) Joint ventures*

Interests in joint ventures are accounted for using the equity method. Under this method, the interests are initially recognised in the consolidated balance sheet at cost and adjusted thereafter to recognise Council's share of the post-acquisition profits or losses and movements in other comprehensive income in profit or loss and other comprehensive income respectively.

**(e) Revenue recognition**

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

*Rates and Charges*

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

*Statutory fees and fines*

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

*User fees*

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

*Grants*

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

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

*Contributions*

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

*Sale of property, infrastructure, plant and equipment*

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

*Interest*

Interest is recognised as it is earned.

*Dividends*

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

*Other Income*

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

## Note 1 Significant accounting policies (cont.)

### (f) Fair value measurement

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

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

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

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

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

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

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

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

### (g) Cash and cash equivalents

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

### (h) Trade and other receivables

Short term receivables are carried at invoice amount as amortised cost using the effective interest rate method would not impact the carrying value. A provision for doubtful debts is recognised when there is objective evidence that an impairment has occurred. Long term receivables are carried at amortised cost using the effective interest rate method.

### (i) Other financial assets

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

### (j) Inventories

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

All other inventories, including land held for sale, are measured at the lower of cost and net realisable value. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

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

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

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

#### *Acquisition*

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

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

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

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

*Revaluation*

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

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

In addition, Council undertakes a formal revaluation of land, buildings, and infrastructure assets on a regular basis. Infrastructure asset valuations are reviewed annually and land and building assets every 2 years in conjunction with the municipal revaluation. The valuations are 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*

Council recognised land under roads it controls at fair value after 30 June 2008.

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

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

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

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

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

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

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

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

*Asset recognition thresholds and depreciation periods*

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

**(n) Repairs and maintenance**

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

**(o) Impairment of assets**

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

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

**(p) Trust funds and deposits**

Amounts received as deposits and retention amounts controlled by Council are recognised as trust funds until they are returned, transferred in accordance with the purpose of the receipt, or forfeited (refer to Note 25).

**(q) Borrowings**

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

The classification depends on the nature and purpose of the interest bearing liabilities. The Council determines the classification of its interest bearing liabilities at initial recognition.

*Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred, except where they are capitalised as part of a qualifying asset constructed by Council. Except where specific borrowings are obtained for the purpose of specific asset acquisition, the weighted average interest rate applicable to borrowings at balance date, excluding borrowings associated with superannuation, is used to determine the borrowing costs to be capitalised.

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

**(r) Employee costs and benefits**

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

*Wages and salaries and annual leave*

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

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

*Long service leave*

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

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

The components of this current liability are measured at :

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

*Classification of employee costs*

Non-current liability - conditional LSL that has been accrued, where an employee is yet to reach a qualifying term of employment, is disclosed as a non - current liability. There is an unconditional right to defer settlement of the entitlement until the employee has completed the requisite years of service.

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

**(s) Landfill rehabilitation provision**

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

## Note 1 Significant accounting policies (cont.)

### (t) Leases

#### *Finance leases*

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

#### *Operating leases*

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

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

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

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

### (v) Financial guarantees

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

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

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

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

### (x) Pending accounting standards

The following new AAS's have been issued that are not mandatory for the 30 June 2017 reporting period. Council has assessed these pending standards and has identified the following potential impacts will flow from the application of these standards in future reporting periods.

#### *Revenue from contracts with customers (AASB 15) (applies 2019/20)*

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract. The full impact of this standard is not known however it is most likely to impact where contracts extend over time, where there are rights and obligations that may vary the timing or amount of the consideration, or where there are multiple performance elements. This has the potential to impact on the recognition of certain grant income.

#### *Leases (AASB 16) (applies 2019/20)*

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

Council has a 2 operating leases that will be impacted as a result of this change. This will see assets and liabilities of approximately \$282,573 recognised.

### (y) Rounding

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

Note 2 Budget comparison

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

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

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

(a) Income and Expenditure	Budget 2017 \$	Actual 2017 \$	Variance \$	Ref
<b>Income</b>				
Rates and charges	17,908,500	18,066,579	158,079	1
Statutory fees and fines	267,300	389,726	122,426	2
User fees	751,000	700,096	(50,904)	
Grants - operating	5,336,900	8,040,081	2,703,181	3
Grants - capital	2,887,400	3,194,120	306,720	4
Contributions - monetary	115,000	426,872	311,872	5
Contributions - non monetary	-	562,892	562,892	6
Share of net profit of associates	-	2,981	2,981	
Bad and doubtful debts	-	-	-	
Other income	580,000	813,574	233,574	7
<b>Total income</b>	<b>27,846,100</b>	<b>32,196,921</b>	<b>4,350,821</b>	
<b>Expenses</b>				
Employee costs	(8,861,700)	(8,981,770)	(120,070)	8
Materials and services	(11,615,000)	(11,444,645)	170,355	9
Depreciation	(5,233,800)	(5,347,074)	(113,274)	10
Borrowing costs	(76,200)	(77,703)	(1,503)	
Net loss on disposal of property, infrastructure, plant and equipment	(680,500)	(567,726)	112,774	11
Other expenses	(498,000)	(586,623)	(88,623)	
<b>Total expenses</b>	<b>(26,965,200)</b>	<b>(27,005,541)</b>	<b>(40,341)</b>	
<b>Surplus/(deficit) for the year</b>	<b>880,900</b>	<b>5,191,380</b>	<b>4,310,480</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Rates and charges	Unbudgeted special charge schemes \$200K
2	Statutory fees and fines	Greater than budgeted fees - planning & subdivision \$91K, land information \$8K, building \$8K, health \$9K, boating \$5K
3	Grants - operating	Prepaid 2017/18 VGC funding \$2.56 million. Unbudgeted municipal emergency resourcing grant \$60K
4	Grants - capital	Unbudgeted grants - Ruffy fire \$91K, Euroa flood levee \$120K, transfer station upgrades \$50K, Birkett St Underpass \$75K, Avenel recreation reserve \$18K. Offset by lower than budgeted bridges grants \$58K
5	Contributions - monetary	Unbudgeted contributions - public open space \$12K, Nagambie Tourism \$23K, Vic Roads Euroa Mansfield drain \$87K, Birkett St underpass \$50K, footpath Euroa C.P. \$30K, bike road marking Nagambie \$30K, Nagambie Mens Shed \$11K
6	Contributions - non monetary	Unbudgeted - Hill St, Longwood \$37K, Longwood residential units \$280,000, found assets - drains \$134K
7	Other income	Greater than budgeted - investment income \$135K, found assets \$112K, rates interest \$27K, recycling income \$17K, shared services project \$141K
	Employee costs	Unbudgeted redundancy costs (Caroline 11K, Saragh Jane 29K, Sandy Joyce 36K, Keogh 35K)
9	Materials and services	Shared Services Centre (SSC) saving 140K and savings on Strategic Planning 20K
10	Depreciation	The relatively small depreciation saving appears primarily to be the result of improved condition survey results
11	Net loss on disposal of property, infrast	Lower than budgeted written down value of assets replaced \$97K

Note 2 Budget comparison (cont)

(b) Capital Works

	Budget 2017 \$	Actual 2017 \$	Variance 2017 \$	Ref
<b>Property</b>				
Land	-	94,721	94,721	
<b>Total Land</b>	<b>-</b>	<b>94,721</b>	<b>94,721</b>	
Buildings	1,665,000	1,017,086	(647,914)	1
<b>Total Buildings</b>	<b>1,665,000</b>	<b>1,017,086</b>	<b>(647,914)</b>	
<b>Total Property</b>	<b>1,665,000</b>	<b>1,111,807</b>	<b>(553,193)</b>	
<b>Plant and Equipment</b>				
Plant, machinery and equipment	630,000	324,701	(305,299)	2
Computers and telecommunications	345,000	434,172	89,172	3
<b>Total Plant and Equipment</b>	<b>975,000</b>	<b>758,872</b>	<b>(216,128)</b>	
<b>Infrastructure</b>				
Roads	4,120,000	3,001,229	(1,118,771)	4
Bridges	3,261,000	956,819	(2,304,181)	5
Footpaths	132,000	116,689	(15,311)	6
Drainage	500,000	505,575	5,575	
Recreational ,leisure,park,open space and streetspaces	409,000	156,676	(252,324)	7
<b>Total Infrastructure</b>	<b>8,422,000</b>	<b>4,736,987</b>	<b>(3,685,013)</b>	
<b>Total Capital Works Expenditure</b>	<b>11,062,000</b>	<b>6,607,667</b>	<b>(4,454,333)</b>	
<b>Represented by:</b>				
New asset expenditure	768,000	873,658	105,658	
Asset renewal expenditure	9,024,000	5,254,682	(3,769,318)	
Asset expansion expenditure	1,121,000	113,901	(1,007,099)	
Asset upgrade expenditure	149,000	365,427	216,427	
<b>Total Capital Works Expenditure</b>	<b>11,062,000</b>	<b>6,607,667</b>	<b>(4,454,333)</b>	

(i) Explanation of material variations

Variance Ref	Item	Explanation
1	Buildings	Projects carried forward to 2017/18 \$0.539 million. Nagambie High St toilets and Violet Town oval toilets concept being finalised(\$300K), Brock St toilets commenced construction in July (\$200K)
2	Plant, machinery and equipment	Plant purchases less than budgeted \$140K, motor vehicle purchases less than budgeted \$150K
3	Computers and telecommunications	Unbudgeted furniture \$26K
4	Roads	Projects carried forward to 2017/18 \$592K, Binney Street roundabout not proceeding \$400K, VT flood mitigation, incorrectly classified as Roads, not proceeding \$100K. With availability of Government funding Council was able to plan significant expenditure on asset renewal , in particular bridges . Council's ability to prepare for and deliver some projects was compromised due to the lack of availability of qualified staff to deliver some of these projects, despite active recruitment efforts.
5	Bridges	Projects carried forward to 2017/18 \$2.371 million,With availability of Government funding Council was able to plan significant expenditure on asset renewal , in particular bridges . Council's ability to prepare for and deliver some projects was compromised due to the lack of availability of qualified staff to deliver some of these projects, despite active recruitment efforts
6	Footpaths	Minor project savings
7	Recreational ,leisure,park,open space and streetspaces	Projects carried forward to 2017/18 \$95K, pool projects savings \$30K, various minor savings



	2017	2016
	\$	\$
<b>Note 3 Rates and charges</b>		
Council uses capital improved value (CIV) as the basis of valuation of all properties within the municipal district. The CIV of a property is the value of the land and all improvements on that land.		
The valuation base used to calculate general rates for 2016/17 was \$2,805 million (2015/16 \$2,610 million).		
General Rates	13,810,852	13,192,874
Municipal charge	1,768,376	1,750,978
Waste management charge	2,287,353	2,265,764
Supplementary rates and rate adjustments	-	24,555
Other Charge Scheme	199,998	
<b>Total rates and charges</b>	<b>18,066,579</b>	<b>17,234,171</b>

The date of the latest general revaluation of land for rating purposes within the municipal district was 1 January 2016, and the valuation will be first applied in the rating year commencing 1 July 2016

<b>Note 4 Statutory fees and fines</b>		
Building fees	50,798	38,093
Planning fees	167,346	118,435
Health registrations	66,679	62,363
Animal registrations	83,433	77,748
Land information certificates	21,470	16,023
<b>Total statutory fees and fines</b>	<b>389,726</b>	<b>312,662</b>

<b>Note 5 User fees</b>		
Tip fees	100,005	83,702
Nagambie Lakes events	17,087	40,779
Saleyard operations revenue	248,877	280,155
Swimming pools revenue	5,234	6,235
Fire Service Levy - financial support	40,128	38,976
Rent/lease Charges	50,795	52,949
Private works	2,380	6,820
Euroa Cinema	56,196	63,885
Debt collection expenses recovered	90,316	85,519
Septic tank fees	15,940	16,946
Other user charges and contributions	73,138	84,276
<b>Total user fees</b>	<b>700,096</b>	<b>760,261</b>

	2017	2016
	\$	\$
<b>Note 6 Grants</b>		
Grants were received in respect of the following :		
<b>Summary of grants</b>		
Commonwealth funded grants	9,937,254	5,379,090
State funded grants	1,296,947	1,524,677
<b>Total grants received</b>	<u>11,234,201</u>	<u>6,903,767</u>
<b>Operating Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Victoria Grants Commission	7,506,006	2,385,207
Senior Citizens Grants	19,729	19,234
Commonwealth Roads of Access	40,303	39,707
Veterans' Affairs	-	195
<b>Recurrent - State Government</b>		
Aged Care	31,810	30,861
Maternal & Child Health	112,516	105,502
Youth	55,000	67,705
Community Safety	19,339	19,175
Median Strip Subsidy	7,000	7,000
Pests and Plants Program	53,378	53,378
State Emergency Services	-	13,253
Municipal Emergency Resource Programme	60,000	-
Nagambie Tourism Infrastructure	45,000	-
<b>Total recurrent operating grants</b>	<u>7,950,081</u>	<u>2,741,217</u>
<b>Non-recurrent - State Government</b>		
Recreation	90,000	
Municipal Emergency Resource Programme	-	25,000
Nagambie Main Street Project	-	50,000
<b>Total non-recurrent operating grants</b>	<u>90,000</u>	<u>103,950</u>
<b>Total operating grants</b>	<u>8,040,081</u>	<u>2,845,167</u>
<b>Capital Grants</b>		
<b>Recurrent - Commonwealth Government</b>		
Roads to recovery	2,371,216	2,934,747
<b>Recurrent - State Government</b>		
Local Government Infrastructure Program 2011-15	-	10,867
<b>Total recurrent capital grants</b>	<u>2,371,216</u>	<u>2,945,614</u>
<b>Non-recurrent - State Government</b>		
Bridges	216,789	260,001
Recreation	17,500	85,979
Fire Restoration	90,588	1,169
Libraries	3,000	100,000
Footpaths	75,000	55,000
Waste Transfer Station Upgrades	50,027	63,174
Euroa Saleyards Roof Stage 2 Grant	250,000	250,001
Nagambie Bypass Project	-	150,000
Avenal Hall Upgrade	-	150,000
Euroa Flood Levee	120,000	-
<b>Total non-recurrent capital grants</b>	<u>822,904</u>	<u>1,112,986</u>
<b>Total capital grants</b>	<u>3,194,120</u>	<u>4,058,600</u>
<b>Unspent grants received on condition that they be spent in a specific manner</b>		
Balance at start of year	354,018	42,433
Received during the financial year and remained unspent at balance date	352,527	354,018
Received in prior years and spent during the financial year	354,018	42,433
<b>Balance at year end</b>	<u>352,527</u>	<u>354,018</u>

	2017	2016
	\$	\$
<b>Note 7 Contributions</b>		
<b>Monetary</b>		
Public Open Space Contributions	-	17,995
Contributions to Community Projects	52,621	84,047
GMW Chinaman's Bridge Caravan Park Contribution	183,056	182,496
Contribution for Capital Projects	161,196	-
	<u>396,873</u>	<u>284,538</u>
<b>Non Monetary</b>		
Land under roads	-	506,120
Gifted and Found Assets	562,892	1,282,074
<b>Total contributions</b>	<u>562,892</u>	<u>1,788,194</u>
<b>Note 8 Net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>		
Proceeds of sale	488,157	450,071
Written down value of assets disposed	(652,623)	(541,420)
Written down value of infrastructure assets replaced	(403,260)	(2,844,753)
<b>Total net gain/(loss) on disposal of property, infrastructure, plant and equipment</b>	<u>(567,726)</u>	<u>(2,936,102)</u>
<b>Note 9 Other income</b>		
Interest	289,147	275,168
Interest on rates	88,960	79,969
Diesel rebate	49,113	43,744
Insurance recoveries	164,065	247,491
Regional Shared Services	100,000	103,725
Parental Leave Reimbursement	8,094	-
Green Organics	91,448	106,577
Open Space Contribution	11,850	-
Staff Training Subsidy	1,955	44,500
Other Items	8,942	6,242
<b>Total other income</b>	<u>813,574</u>	<u>1,930,660</u>
<b>Note 10 (a) Employee costs</b>		
Wages and salaries	7,882,259	7,722,030
WorkCover	140,691	312,120
Superannuation	678,538	677,979
Fringe benefits tax	173,520	154,912
Other	106,761	132,971
<b>Total employee costs</b>	<u>8,981,769</u>	<u>9,000,012</u>
<b>Note 10 (b) Superannuation</b>		
Council made contributions to the following funds:		
<b>Defined benefit fund</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	79,526	72,376
Employer contributions - other funds	-	-
	<u>79,526</u>	<u>72,376</u>
Employer contributions payable at reporting date.	-	-
<b>Accumulation funds</b>		
Employer contributions to Local Authorities Superannuation Fund (Vision Super)	578,921	426,396
Employer contributions - other funds	-	179,207
	<u>578,921</u>	<u>605,603</u>
Employer contributions payable at reporting date.	-	-
Refer to note 33 for further information relating to Council's superannuation obligations.		

	2017	2016
<b>Note 11 Materials and services</b>	<b>\$</b>	<b>\$</b>
Building & Infrastructure Maintenance	3,470,162	3,140,065
Waste Management	1,947,271	1,738,855
Consultancies & Other Contractors	1,650,749	1,318,717
Operating Expenses- Plant	744,349	823,540
Community Expenses	739,407	737,693
Contractors- Labour Hire	637,725	254,326
Information Systems & Communications	529,996	520,932
Other Expenses	431,669	270,519
Materials and Services	323,860	711,333
Utilities	355,033	398,009
Insurances	312,326	290,869
Printing, Stationery & Postage	209,344	151,608
Legal Fees	92,753	93,584
Community assets not controlled by Council	-	628,502
<b>Total materials and services</b>	<b>11,444,645</b>	<b>11,078,552</b>
<b>Note 12 Bad and doubtful debts</b>		
Other debtors	-	(12,388)
<b>Total bad and doubtful debts</b>	<b>-</b>	<b>(12,388)</b>
<b>Note 13 Depreciation</b>		
Property	868,928	776,922
Plant and equipment	523,758	439,476
Furniture and equipment	249,191	234,952
Leased plant and equipment	-	-
Infrastructure	3,705,197	3,668,842
<b>Total depreciation</b>	<b>5,347,074</b>	<b>5,120,192</b>
<i>Refer to note 23 for a more detailed breakdown of depreciation and amortisation charges</i>		
<b>Note 14 Borrowing costs</b>		
Interest - Borrowings	77,703	122,433
Interest - Leases	-	-
<b>Total borrowing costs</b>	<b>77,703</b>	<b>122,433</b>
<b>Note 15 Other expenses</b>		
Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	39,000	43,423
Auditors' remuneration - Internal	46,201	46,004
Councillors' allowances	159,981	157,493
Other Councillor expenses	41,440	41,100
Donation*	300,000	-
<b>Total other expenses</b>	<b>586,622</b>	<b>288,020</b>

\* During 2016/17 Council made a donation of \$300,000 to Euroa Hospital to purchase medical equipment.

	2017	2016
	\$	\$
<b>Note 16 Investments in associates</b>		
Investments in associates accounted for by the equity method are:		
<b>Goulburn Valley Regional Library Corporation</b>		
The Goulburn Valley Regional Library Corporation was formed under the provisions of section 196 of the Local Government Act 1989 on 15/09/2009 to provide library services within the local government area of Strathbogie Shire, Moira Shire and City of Greater Shepparton. Council holds 9.89% (2015 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.	244,501	241,520
<b>Fair value of Council's investment in Goulburn Valley Regional Library Corporation</b>	<b>244,501</b>	<b>241,520</b>
<b>Council's share of accumulated surplus/(deficit)</b>		
Council's share of accumulated surplus/(deficit) at start of year	241,520	244,841
Reported (deficit)/surplus for year	2,981	(3,321)
Transfers (to)/from reserves	-	-
Distributions for the year	-	-
Council's share of accumulated surplus/(deficit) at end of year	<b>244,501</b>	<b>241,520</b>
<b>Council's share of reserves</b>		
Council's share of reserves at start of year	-	-
Transfers (to)/from reserves	-	-
Council's share of reserves at end of year	-	-
<b>Movement in carrying value of specific investment</b>		
Carrying value of investment at start of year	241,520	244,841
Share of (deficit)/surplus for year	2,981	(3,321)
Share of asset revaluation	-	-
Distributions received	-	-
Carrying value of investment at end of year	<b>244,501</b>	<b>241,520</b>
<b>Council's share of expenditure commitments</b>		
Operating commitments	-	-
Capital commitments	-	-
Council's share of expenditure commitments	-	-
<b>Council's share of contingent liabilities and contingent assets</b>	-	-

	2,017 \$	2,016 \$
<b>Note 17 Cash and cash equivalents</b>		
Cash on hand	4,213	4,128
Cash at bank	2,231,974	964,014
Term deposits	10,005,918	8,411,836
	<u>12,242,105</u>	<u>9,379,978</u>
Councils cash and cash equivalents are subject to external restrictions that limit amounts available for discretionary use. These include:		
- Trust funds and deposits (Note 25)	352,439	762,242
Total restricted funds	<u>352,439</u>	<u>762,242</u>
Total unrestricted cash and cash equivalents	<u>11,889,666</u>	<u>8,617,736</u>
<b>Intended allocations</b>		
Although not externally restricted the following amounts have been allocated for specific future purposes by Council:		
- Cash held to fund carried forward capital works	4,194,000	1,855,000
- open space reserve	112,250	100,400
- bridge replacement reserve	600,000	600,000
Total funds subject to intended allocations	<u>4,906,250</u>	<u>2,555,400</u>
Refer also to Note 19 for details of other financial assets held by Council.		
<b>Note 18 Trade and other receivables</b>		
<b>Current</b>		
Rates debtors	1,141,194	1,114,050
Net GST receivable	327,361	363,340
Other debtors	293,300	353,143
Provision for doubtful debts - other debtors	(7,025)	(7,025)
<b>Total current trade and other receivables</b>	<u>1,754,830</u>	<u>1,823,508</u>
<b>(a) Ageing of Receivables</b>		
At balance date other debtors representing financial assets were past due but not impaired.		
Current (not yet due)	228,573	124,312
Past due by up to 30 days	8,599	20,131
Past due between 31 and 180 days	77,886	207,245
Past due between 181 and 365 days	-	-
Past due by more than 1 year	-	1,455
Total trade & other receivables	<u>315,057</u>	<u>353,143</u>
<b>(b) Movement in provisions for doubtful debts</b>		
Balance at the beginning of the year	(7,025)	(20,298)
New Provisions recognised during the year	-	-
Amounts already provided for and written off as uncollectible	-	884
Amounts provided for but recovered during the year	-	12,389
Balance at end of year	<u>(7,025)</u>	<u>(7,025)</u>
<b>Note 19 Other financial assets</b>		
<b>Current</b>		
Term Deposits over 90 days	2,200,000	1,200,000
<b>Total Current other financial assets</b>	<u>2,200,000</u>	<u>1,200,000</u>
<b>Non Current</b>		
Other assets	64,815	-
Share in MAV Purchasing Scheme	2,032	2,032
<b>Total Non-current other financial assets</b>	<u>66,847</u>	<u>2,032</u>
<b>Total other financial assets</b>	<u>2,266,847</u>	<u>1,202,032</u>
<b>Note 20 Inventories</b>		
Inventories held for distribution	7,848	5,989
<b>Total inventories</b>	<u>7,848</u>	<u>5,989</u>
<b>Note 21 Non-current assets classified as held for sale</b>		
Written down value less cost to sell	926,800	1,737,974
<b>Total Non-current assets classified as held for sale</b>	<u>926,800</u>	<u>1,737,974</u>
<b>Note 22 Other assets</b>		
Prepayments	201,786	89,316
Accrued income	112,522	23,585
<b>Total other assets</b>	<u>314,308</u>	<u>112,901</u>

Note 23 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	At Fair Value 30 June 2016	Acquisitions	Contributions	Revaluation	Depreciation	Disposal	Transfers	At Fair Value 30 June 2017
Land	29,822,386	280,283	-	(348,441)	-	-	844,841	30,699,069
Buildings	45,573,702	391,082	-	(1,190,963)	(868,928)	(309,760)	(215,094)	43,380,039
Plant and Equipment	2,933,727	758,872	-	-	(772,948)	(121,217)	-	2,798,434
Infrastructure	195,570,692	4,110,247	562,892	11,350,165	(3,705,185)	(130,812)	-	207,757,999
Work in progress	550,873	5,927,198	-	-	-	(78,404)	(5,098,633)	1,301,035
	274,451,380	11,467,682	562,892	9,810,761	(5,347,061)	(640,193)	(4,468,886)	285,836,580

Summary of Work in Progress

	Opening WIP	Additions	Transfers	Write Offs	Closing WIP
Buildings	428,285	1,118,186	(671,367)	(6,379)	868,725
Infrastructure	122,588	4,809,012	(4,427,265)	(72,025)	432,310
Total	550,873	5,927,198	(5,098,633)	(78,404)	1,301,035

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

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Work In Progress	Total Property
<b>Land and Buildings</b>									
At fair value 1 July 2016	23,840,779	5,419,587	562,040	29,822,386	73,468,234	3,010,360	76,508,594	429,235	106,760,215
Accumulated depreciation at 1 July 2016	-	-	-	-	(29,939,405)	(995,487)	(30,934,892)	-	(30,934,892)
<b>Movements in fair value</b>									
Acquisition of assets at fair value	280,283	-	-	280,283	391,082	-	391,082	439,490	1,110,855
Revaluation increments/decrements	(348,441)	-	-	(348,441)	(3,830,521)	-	(3,830,521)	-	(4,178,962)
Fair value of assets disposed	-	-	-	-	(376,794)	-	(376,794)	-	(376,794)
Less Items held for resale (see note 21)	844,841	-	-	844,841	(1,216,931)	-	(1,216,931)	-	(372,090)
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	776,683	-	-	776,683	(5,033,164)	-	(5,033,164)	439,490	(3,816,991)
<b>Movements in accumulated depreciation</b>									
Depreciation and amortisation	-	-	-	-	(868,928)	-	(868,928)	-	(868,928)
Revaluation increments/decrements	-	-	-	-	2,639,558	-	2,639,558	-	2,639,558
Accumulated depreciation of disposals	-	-	-	-	67,034	-	67,034	-	67,034
Less Items held for resale (see note 21)	-	-	-	-	1,001,837	-	1,001,837	-	1,001,837
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,839,501	-	2,839,501	-	2,839,501
At fair value 30 June 2017	24,617,462	5,419,587	562,040	30,599,069	68,465,070	3,010,360	71,475,430	868,725	102,943,224
Accumulated depreciation at 30 June 2017	-	-	-	-	(27,089,904)	(995,487)	(28,085,391)	-	(28,085,391)
	24,617,462	5,419,587	562,040	30,599,069	41,365,166	2,014,873	43,380,039	868,725	74,847,833



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

Plant and Equipment	Note	Plant machinery and equipment	Furniture and equipment	Total plant and equipment
At fair value 1 July 2016		5,709,087	2,828,666	8,537,753
Accumulated depreciation at 1 July 2016		(3,321,441)	(2,282,565)	(5,604,006)
		<u>2,387,626</u>	<u>546,101</u>	<u>2,933,727</u>
<b>Movements in fair value</b>				
Acquisition of assets at fair value		324,700	434,172	758,872
Fair value of assets disposed		(393,070)	(6,724)	(399,794)
Impairment losses recognised in operating result		-	-	-
Transfers		-	-	-
		<u>(68,370)</u>	<u>427,448</u>	<u>359,078</u>
<b>Movements in accumulated depreciation</b>				
Depreciation and amortisation		(523,757)	(249,191)	(772,948)
Revaluation		-	-	-
Accumulated depreciation of disposals		271,864	6,723	278,577
Impairment losses recognised in operating result		-	-	-
Transfers		-	-	-
		<u>(251,904)</u>	<u>(242,468)</u>	<u>(494,371)</u>
At fair value 30 June 2017		5,640,687	3,256,114	8,896,811
Accumulated depreciation at 30 June 2017		(3,573,346)	(2,525,033)	(6,098,377)
		<u>2,067,352</u>	<u>731,081</u>	<u>2,798,434</u>

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

Infrastructure	Note	Roads	Bridges and culverts	Footpaths	Drainage	Kerb and channel	Open Space Assets	Cultural and Heritage Assets	Work In Progress	Total Infrastructure
At fair value 1 July 2016		176,555,978	73,008,499	3,703,489	13,582,401	6,379,434	6,130,350	584,112	121,538	280,065,901
Accumulated depreciation at 1 July 2016		(48,483,143)	(24,752,035)	(1,297,805)	(4,507,902)	(2,530,822)	(2,795,864)	-	-	(84,373,571)
<b>Movements in fair value</b>										
Acquisition of assets at fair value		2,950,885	661,388	233,103	670,161	-	157,626	-	310,672	4,983,825
Revaluation		2,410,187	(598,491)	58,294	(89,830)	(23,545)	-	-	-	1,756,615
Fair value of assets disposed		-	(430,600)	-	(48,800)	-	-	-	-	(479,400)
Transfers		-	-	-	-	-	-	-	-	-
		5,361,072	(367,703)	291,397	531,521	(23,545)	157,626	-	310,672	6,281,040
<b>Movements in accumulated depreciation</b>										
Depreciation and amortisation		(2,329,377)	(755,158)	(78,519)	(159,235)	(105,764)	(277,112)	-	-	(3,705,185)
Revaluation		7,804,968	841,358	133,309	660,632	153,269	-	-	-	9,593,536
Accumulated depreciation of disposals		-	337,100	-	11,488	-	-	-	-	348,588
Transfers		-	-	-	-	-	-	-	-	-
		5,475,591	423,300	54,790	512,865	47,485	(277,112)	-	-	6,236,939
At fair value 30 June 2017		181,917,050	72,640,796	3,994,886	14,113,922	6,355,889	6,287,976	584,112	432,310	285,326,941
Accumulated depreciation at 30 June 2017		(43,013,552)	(24,328,735)	(1,243,015)	(3,995,017)	(2,483,337)	(3,072,976)	-	-	(76,136,632)
		138,903,498	48,312,061	2,751,871	10,118,905	3,872,552	3,215,000	584,112	432,310	209,190,309

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

*Valuation of land and buildings*

Valuation of land and buildings were undertaken by a qualified independent valuer John Dixons, from FG Dixon's Group on 19 July 2017. The valuation of land and buildings is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Where land use is restricted through existing planning provisions the valuation is reduced to reflect this limitation. This adjustment is an unobservable input in the valuation. The adjustment has no impact on the comprehensive income statement.

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

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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land	-	5,420	-
Specialised Land	-	-	24,617
Land Under Roads	-	-	562
Buildings	-	2,015	-
Specialised Buildings	-	-	41,365
<b>Total Land and Buildings</b>	<b>-</b>	<b>7,434</b>	<b>66,545</b>

*Valuation of infrastructure*

The valuation is at fair value based on replacement cost less accumulated depreciation as at the date of valuation. Valuation of infrastructure assets at 30 June 2017 was made by Roy Hetherington, Certified Municipal Engineer.

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

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2017 are as follows:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Roads	-	-	138,903
Bridges and culverts	-	-	48,312
Footpaths	-	-	2,752
Drainage	-	-	10,119
Kerb and channel	-	-	3,873
Open space assets	-	-	3,215
Cultural and heritage assets	-	-	584
<b>Total Infrastructure</b>	<b>-</b>	<b>-</b>	<b>207,759</b>

Note 23	Property, infrastructure, plant and equipment cont'd	2017	2016
		\$	\$

*Description of significant unobservable inputs into level 3 valuations*

**Specialised land and land under roads** is valued using a market based direct comparison technique. Significant unobservable inputs include the extent and impact of restriction of use and the market cost of land per square metre. The extent and impact of restrictions on use varies and results in a reduction to surrounding land values between 85% and 95%. The market value of land varies significantly depending on the location of the land and the current market conditions. Currently land values range between \$0.48 and \$565 per square metre.

**Specialised buildings** are valued using a depreciated replacement cost technique. Significant unobservable inputs include the current replacement cost and remaining useful lives of buildings. Current replacement costs is calculated on a square metre basis and ranges from \$200 to \$7,000 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

**Infrastructure assets** are valued based on the depreciated replacement cost. Significant unobservable inputs include the current replacement cost and remaining useful lives of infrastructure. The remaining useful lives of infrastructure assets are determined on the basis of the current condition of the asset and vary from 18 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of infrastructure are sensitive to changes in use, expectations or requirements that could either shorten or extend the useful lives of infrastructure assets.

**Reconciliation of specialised land**

Parks and reserves	17,352,965	17,569,681
Waste Management	853,801	853,801
Civic Centres	2,230,707	2,230,707
Council Depots	613,849	613,849
Caravan Parks	1,900,420	1,900,420
Pre Schools	364,000	364,000
Saleyards	308,321	308,321
<b>Total specialised land</b>	<b>23,624,063</b>	<b>23,840,779</b>

		2017	2016
		\$	\$
<b>Note 24</b>	<b>Trade and other payables</b>		
	Trade payables	2,804,272	2,337,505
	Accrued expenses	317,018	375,044
	<b>Total trade and other payables</b>	<u>3,121,290</u>	<u>2,712,549</u>
<b>Note 25</b>	<b>Trust funds and deposits</b>		
	<b>Current</b>		
	Refundable deposits	12,077	29,937
	Fire services levy	10,900	448,282
	Retention amounts	132,230	68,440
	Other refundable deposits	197,232	215,583
	<b>Total trust funds and deposits - Current</b>	<u>352,439</u>	<u>762,242</u>
	<b>Non-current</b>		
	Trust funds bequested	63,486	67,980
	<b>Total trust funds and deposits - Non-current</b>	<u>63,486</u>	<u>67,980</u>

*Purpose and nature of items*

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

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

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

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

2017	Provisions		Total	2016
	Employee	Landfill restoration		
	\$	\$	\$	\$
Balance at beginning of the financial year	2,536,899	1,656,062	4,192,961	
Additional provisions	786,349	122,676	909,025	
Amounts used	(778,995)	-	(778,995)	
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	-	
<b>Balance at the end of the financial year</b>	<u>2,544,253</u>	<u>1,778,738</u>	<u>4,322,991</u>	
<b>2016</b>				
Balance at beginning of the financial year	2,633,013	1,656,062	4,289,075	
Additional provisions	838,168	54,549	892,717	
Amounts used	(934,282)	(54,549)	(988,831)	
Increase in the discounted amount arising because of time and the effect of any change in the discount rate	-	-	-	
<b>Balance at the end of the financial year</b>	<u>2,536,899</u>	<u>1,656,062</u>	<u>4,192,961</u>	
			2017	2016
			\$	\$
<b>(a) Employee provisions</b>				
<b>Current provisions expected to be wholly settled within 12 months</b>				
Annual leave			608,831	648,277
Long service leave			279,533	276,777
Other			20,099	18,170
			<u>908,463</u>	<u>943,224</u>
<b>Current provisions expected to be wholly settled after 12 months</b>				
Annual leave			375,973	249,260
Long service leave			1,083,194	1,155,663
			<u>1,459,167</u>	<u>1,404,923</u>
<b>Total current employee provisions</b>			<u>2,367,630</u>	<u>2,348,147</u>
<b>Non-current</b>				
Long service leave			176,623	188,752
<b>Total non-current employee provisions</b>			<u>176,623</u>	<u>188,752</u>
<b>Aggregate carrying amount of employee provisions:</b>				
Current			2,367,630	2,348,147
Non-current			176,623	188,752
<b>Total aggregate carrying amount of employee provisions</b>			<u>2,544,253</u>	<u>2,536,899</u>

Note 26	Provisions (cont'd) (b) Land fill restoration		
	Current	796,908	690,000
	Non-current	981,830	966,062
		<u>1,778,738</u>	<u>1,656,062</u>
Note 27	Interest-bearing loans and borrowings		
	Current		
	Borrowings - secured (1)	511,551	488,195
		<u>511,551</u>	<u>488,195</u>
	Non-current		
	Borrowings - secured (1)	690,634	1,202,063
		<u>690,634</u>	<u>1,202,063</u>
	Total	<u>1,202,185</u>	<u>1,690,258</u>
	(1) Borrowings are secured by securities on the general rates of the Council		
	(a) The maturity profile for Council's borrowings is:		
	Not later than one year	511,551	488,195
	Later than one year and not later than five years	690,634	921,295
	Later than five years	-	280,768
		<u>1,202,185</u>	<u>1,690,258</u>

Note 28 Reserves

	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
	\$	\$	\$
<b>(a) Asset revaluation reserves</b>			
<b>2017</b>			
<b>Property</b>			
Land	24,994,006	(348,441)	24,645,565
Buildings	42,453,352	(1,190,963)	41,262,389
	67,447,358	(1,539,404)	65,907,954
<b>Infrastructure</b>			
Roads	87,967,661	10,215,155	98,182,816
Bridges and culverts	34,019,376	242,865	34,262,241
Footpaths	1,279,157	321,341	1,600,498
Drainage	3,977,305	570,804	4,548,109
Kerb and channel	3,011,415	-	3,011,415
Open space and cultural heritage	16,205	-	16,205
	130,271,119	11,350,165	141,621,284
<b>Total asset revaluation reserves</b>	<b>197,718,477</b>	<b>9,810,761</b>	<b>207,529,238</b>
<b>2016</b>			
<b>Property</b>			
Land	24,266,222	727,784	24,994,006
Buildings	32,203,619	10,249,733	42,453,352
	56,469,841	10,977,517	67,447,358
<b>Infrastructure</b>			
Roads	87,967,661	-	87,967,661
Bridges and culverts	34,019,737	(361)	34,019,376
Footpaths	720,837	558,320	1,279,157
Drainage	3,976,945	360	3,977,305
Kerb and channel	3,011,415	-	3,011,415
Open space and cultural heritage	-	16,205	16,205
	129,696,595	574,524	130,271,119
<b>Total asset revaluation reserves</b>	<b>186,166,436</b>	<b>11,552,041</b>	<b>197,718,477</b>

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Balance at end of reporting period
	\$	\$	\$
<b>(b) Other reserves</b>			
<b>2017</b>			
Bridge replacement reserve	600,000	-	600,000
Open space reserve	100,400	11,850	112,250
<b>Total Other reserves</b>	<b>700,400</b>	<b>11,850</b>	<b>712,250</b>
<b>2016</b>			
Bridge replacement reserve	600,000	-	600,000
Open space reserve	100,400	-	100,400
<b>Total Other reserves</b>	<b>700,400</b>	<b>-</b>	<b>700,400</b>

	2017	2016
	\$	\$
<b>Note 29</b>		
<b>Reconciliation of cash flows from operating activities to (deficit)/surplus</b>		
Surplus/(deficit) for the year	5,191,380	(345,236)
Depreciation/amortisation	5,347,074	5,120,192
Non-cash notional legal expenses - non-current assets held for resale	4,331	-
Loss on disposal of property, infrastructure, plant and equipment	567,726	2,936,102
Borrowing costs	77,703	122,433
Trust funds and other deposits repaid	(414,298)	266,568
Share of net profit of associates	(2,981)	3,321
Contributions - Non-monetary assets/ Found assets	(562,892)	(1,788,194)
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in trade and other receivables	3,862	(281,549)
(Increase)/decrease in other assets	(201,407)	987,652
Increase/(decrease) in trade and other payables	408,744	(74,002)
(Increase)/decrease in inventories	(1,859)	(2,570)
Increase/(Decrease) in provisions	130,030	(108,502)
Net cash provided by operating activities	<u>10,547,413</u>	<u>6,836,214</u>
<b>Note 30</b>		
<b>Financing arrangements</b>		
Bank overdraft	1,145,000	1,145,000
Loan facilities	1,200,000	1,335,775
Lease facilities	500,000	500,000
Credit Cards	100,000	100,000
Total facilities	<u>2,945,000</u>	<u>3,080,775</u>
Used facilities	<u>(1,194,372)</u>	<u>(1,330,147)</u>
Unused facilities	<u>1,750,628</u>	<u>1,750,628</u>



Note 31

Commitments

The Council has entered into the following commitments

2017	Not later than 1 year	year and not later than 2 years	years and not later than 5 years	Later than 5 years	Total
	\$	\$	\$	\$	\$
<b>Operating</b>					
Recycling	1,219,290	1,268,061	4,116,716	3,026,243	9,630,310
Garbage collection	495,676	517,413	1,690,527	1,250,646	3,954,263
Open space management	116,094	-	-	-	116,094
Cleaning contracts for council buildings	2,338	-	-	-	2,338
<b>Total</b>	<b>1,833,397</b>	<b>1,785,474</b>	<b>5,807,243</b>	<b>4,276,889</b>	<b>13,703,004</b>
<b>Capital</b>					
Buildings	185,570	-	-	-	185,570
Bridges	1,004,416	-	-	-	1,004,416
Roads	84,562	-	-	-	84,562
<b>Total</b>	<b>1,274,548</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,274,548</b>
<b>Total Commitments</b>	<b>3,107,945</b>	<b>1,785,474</b>	<b>5,807,243</b>	<b>4,276,889</b>	<b>14,977,552</b>

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

	2017	2016
	\$	\$
<b>Note 32</b>		
<b>Operating leases</b>		
<b>(a) Operating lease commitments</b>		
At the reporting date, the Council had the following obligations under non-cancellable operating leases for the lease of equipment and land and buildings for use within Council's activities (these obligations are not recognised as liabilities):		
Not later than one year	87,119	87,119
Later than one year and not later than five years	214,946	302,065
Later than five years	-	-
	302,065	389,184

**Note 33**      **Superannuation**

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

**Accumulation**

The Fund's accumulation categories, Vision MySuper/Vision Super Saver, receive both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2017, this was 9.5% as required under Superannuation Guarantee legislation).

**Defined Benefit**

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

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

**Funding arrangements**

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

As at 30 June 2016, an interim actuarial investigation was held as the Fund provides lifetime pensions in the Defined Benefit category. The vested benefit index (VBI) of the Defined Benefit category of which Council is a contributing employer was 102.0%. To determine the VBI, the fund Actuary used the following long-term assumptions:

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

Note 33

**Superannuation (cont'd)**

Vision Super has advised that the estimated VBI at quarter ended June 2017 was 103.1%. The VBI is to be used as the primary funding indicator. Because the VBI was above 100%, the 2015 interim actuarial investigation determined the Defined Benefit category was in a satisfactory financial position and that no change was necessary to the Defined Benefit category's funding arrangements from prior years.

**Employer contributions**

**Regular contributions**

On the basis of the results of the 2016 interim actuarial investigation conducted by the Fund Actuary, Council makes employer contributions to the Fund's Defined Benefit category at rates determined by the Fund's Trustee. For the year ended 30 June 2017, this rate was 9.5% of members' salaries (9.5% in 2015/2016). This rate will increase in line with any increase to the contribution rate. In addition, Council reimburses the Fund to cover the excess of the benefits paid as a consequence of retrenchment above the funded resignation or retirement benefit.

**Funding calls**

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

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

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

**2016 Interim actuarial investigation surplus amounts**

The Fund's interim actuarial investigation as at 30 June 2016 identified the following in the defined benefit category of which Council is a contributing employer:

- A VBI surplus of \$40.3 million; and
- A total service liability surplus of \$156 million.

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2016. The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses. Council was notified of the 30 June 2016 VBI during August 2016.

**2017 Full triennial actuarial investigation**

A full actuarial investigation is being conducted for the Fund's position as at 30 June 2017. It is anticipated that this actuarial investigation will be completed in December 2017.

**Future superannuation contributions**

The expected contributions to be paid to the Defined Benefit category of Vision Super for the year ending 30 June 2018 is \$68,600

**Note 34**      **Contingent liabilities and contingent assets**

**Defined Benefit Superannuation**

Council has obligations under a defined benefit superannuation scheme that may result in the need to make additional contributions to the scheme, matters relating to this potential obligation are outlined in Note 33. As a result of the volatility in financial markets the likelihood of making such contributions in future periods exists.

**Landfill**

Council did operate a landfill which is now closed. Council intends to carry out site rehabilitation works in the coming year. Council has obtained an updated estimate of the cost of land fill rehabilitation as at 30 June 2017. The rehabilitation provision has been increased to reflect the updated estimate. Refer Note 26

**Bank Guarantees**

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

**Contingent assets**

Council has no contingent assets at reporting date.

Note 35

Financial Instruments

(a) Objectives and policies

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

(b) Market risk

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

*Interest rate risk*

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

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

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

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

- targets a minimum and average level of cash and cash equivalents to be maintained in its Strategic Resource Plan;
- has readily accessible standby facilities and other funding arrangements in place;
- has an investment policy that requires surplus funds to be invested within various bands of liquid instruments;
- monitors budget to actual performance on a regular basis; and
- sets limits on borrowings relating to the percentage of loans to rate revenue and percentage of loan principal repayments to rate revenue.

The Council's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed on the face of the balance sheet and the amounts related to financial guarantees disclosed in Note 34, and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

Note 35 Financial instruments (cont'd)

(e) Fair value

*Fair value hierarchy*

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

(f) Sensitivity disclosure analysis

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

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

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

		2017 No.
<b>Note 36</b>	<b>Related party disclosures</b>	
(i)	<b>Related Parties</b>	
	<i>Parent entity</i> Strathbogie Shire Council is the parent entity.	
	<i>Subsidiaries and Associates</i> Interests in associates are detailed in note 16.	
(ii)	<b>Key Management Personnel</b>	
	Details of persons holding the position of Councillor or other members of key management personnel at any time during the year are:	
	<b>Councillors</b>	
	Colleen Furlanetto (Mayor) 1 July 2016 to 21 October 2016	
	Malcolm Little	
	John Mason 22 October 2016 to 30 June 2017	
	Amanda McClaren (Mayor) 22 October 2016 to 30 June 2017	
	Alistair Purbrick 1 July 2016 to 21 October 2016	
	Pat Storer 1 July 2016 to 21 October 2016	
	Kate Stothers 22 October 2016 to 30 June 2017	
	Debra Swan	
	Alistair Thomson 22 October 2016 to 30 June 2017	
	Robin Weatherald 1 July 2016 to 21 October 2016	
	Graeme (Mick) Williams	
	<b>Total Number of Councillors</b>	11
	<b>Chief Executive Officer and other Key Management Personnel</b>	4
	<b>Total Key Management Personnel</b>	<u>15</u>
(iii)	<b>Remuneration of Key Management Personnel</b>	2017
	Total remuneration of key management personnel was as follows:	
	Short-term benefits	872,803
	Post Employment Benefits	66,283
	Other Long term Benefits	16,113
	Termination Benefits	-
	Share Based Benefits	-
		<u>955,199</u>
	The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:	
		2017 No.
	\$1 - \$9,999	3
	\$10,000 - \$19,999	4
	\$20,000 - \$29,999	3
	\$30,000 - \$39,999	1
	\$160,000 - \$169,999	1
	\$170,000 - \$179,999	-
	\$180,000 - \$189,999	2
	\$220,000 - \$229,999	1
		<u>15</u>
(iv)	<b>Transactions with related parties</b>	
	During the period Council did not enter into any transactions with related parties that require disclosure.	
(v)	<b>Outstanding balances with related parties</b>	
	There are no balances outstanding at the end of the reporting period in relation to transactions with related parties that require disclosure.	

**Note 36 Related party disclosures (cont'd)**

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

There are no loans in existence at balance date that have been made, guaranteed or secured by the council to a related party.

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

There are no commitments in existence at balance date that have been made, guaranteed or secured by the council to a related party.

**Note 37 Senior Officer Remuneration**

2017

\$,000

Total remuneration of key management personnel was as follows:

Short-term benefits	273,567
Post Employment Benefits	25,989
Other Long term Benefits	6,039
Termination Benefits	-
Share Based Benefits	-
Total	<u>305,595</u>

2017

No.

< \$142,000	
\$142,000 - \$149,999	1
\$150,000 - \$159,999	1
\$160,000 - \$169,999	
\$170,000 - \$179,999	
	<u>2</u>

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

- a) has management responsibilities and reports directly to the Chief Executive; or
- b) whose total annual remuneration exceeds \$142,000

**Note 38 Events occurring after balance date**

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



### Certification of the Financial Statements

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



David Roth  
Principal Accounting Officer

Date : 19 September 2017

Euroa, Victoria

In our opinion the accompanying financial statements present fairly the financial transactions of Strathbogje Shire Council for the year ended 30 June 2017 and the financial position of the Council as at that date.

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

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



Alistair Thomson  
Councillor

Date : 19 September 2017

Euroa, Victoria



Amanda McClaren  
Mayor

Date : 19 September 2017

Euroa, Victoria



Steve Crawcour  
Chief Executive Officer

Date : 19 September 2017

Euroa, Victoria

