



Strathbogie Shire
Council

Annual Financial Report
For the year ended
30 June 2022

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Strathbogie Shire Council

Financial Report

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Certification of the Financial Statements

In my opinion, the accompanying financial statements have been prepared in accordance with the *Local Government Act 2020*, the *Local Government (Planning and Reporting) Regulations 2020*, the Australian Accounting Standards and other mandatory professional reporting requirements.

Upul Sathurusinghe CPA
Principal Accounting Officer
Date : 20 September 2022
Euroa

In our opinion, the accompanying financial statements present fairly the financial transactions of the Strathbogie Shire Council for the year ended 30 June 2022 and the financial position of the Council as at that date.

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

We have been authorised by the Council and by the *Local Government (Planning and Reporting) Regulations 2020* to certify the financial statements in their final form.

Laura Binks
Councillor
Date : 20 September 2022
Euroa

Paul Murray
Councillor
Date : 20 September 2022
Euroa

Julie Salomon
Chief Executive Officer
Date : 20 September 2022
Euroa

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Comprehensive Income Statement For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Income			
Rates and charges	3.1	20,515,058	20,085,572
Statutory fees and fines	3.2	680,450	661,449
User fees	3.3	840,775	747,079
Grants - operating	3.4	9,028,490	7,714,366
Grants - capital	3.4	2,604,333	5,785,233
Contributions - monetary	3.5	238,761	311,706
Contributions - non monetary	3.5	1,721,874	1,363,611
Net gain (or loss) on disposal of property, infrastructure, plant and equipment	3.6	28,389	143,869
Share of net profits (or loss) of associates and joint ventures	6.3	5,487	28,141
Other income	3.7	700,362	483,808
Total income		36,363,979	37,324,834
Expenses			
Employee costs	4.1	12,067,320	12,078,311
Materials and services	4.2	9,979,633	11,812,354
Depreciation	4.3	6,558,729	6,253,090
Amortisation - intangible assets	4.4	57,243	64,669
Amortisation - right of use assets	4.5	207,533	236,078
Bad and doubtful debts	4.6	21,801	13,430
Borrowing costs	4.7	14,266	20,556
Finance costs - leases	4.8	22,734	21,744
Other expenses	4.9	417,787	459,546
Total expenses		29,347,046	30,959,778
Surplus/(deficit) for the year		7,016,933	6,365,056
Other comprehensive income			
Items that will not be reclassified to surplus or deficit in future periods			
Net asset revaluation increment/(decrement)	6.2	39,162,519	(3,226,510)
Total other comprehensive income		39,162,519	(3,226,510)
Total comprehensive result		46,179,452	3,138,546

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

Balance Sheet As at 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	5.1	1,403,913	5,550,069
Trade and other receivables	5.1	3,443,585	2,588,020
Other financial assets	5.1	21,800,000	17,350,000
Non-current assets classified as held for sale	6.1	417,384	417,384
Other assets	5.2	415,759	590,030
Total current assets		27,480,641	26,495,503
Non-current assets			
Trade and other receivables	5.1	21,903	43,096
Other financial assets	5.1	2,032	2,032
Investments in associates, joint arrangements and subsidiaries	6.3	260,774	255,287
Property, infrastructure, plant and equipment	6.2	324,219,741	282,911,031
Right-of-use assets	5.8	790,874	636,453
Intangible assets	5.2	187,184	79,167
Total non-current assets		325,482,508	283,927,066
Total assets		352,963,149	310,422,569
Liabilities			
Current liabilities			
Trade and other payables	5.3	2,039,999	3,179,808
Trust funds and deposits	5.3	634,913	500,056
Unearned income/revenue	5.3	3,156,646	3,706,727
Provisions	5.5	5,669,256	4,584,145
Interest-bearing liabilities	5.4	96,557	91,000
Lease liabilities	5.8	243,936	178,337
Total current liabilities		11,841,307	12,240,073
Non-current liabilities			
Trust funds and deposits	5.3	52,731	55,166
Provisions	5.5	1,595,617	4,830,380
Interest-bearing liabilities	5.4	94,868	191,425
Lease liabilities	5.8	567,733	474,083
Total non-current liabilities		2,310,949	5,551,054
Total liabilities		14,152,256	17,791,127
Net assets		338,810,894	292,631,442
Equity			
Accumulated surplus		112,292,357	105,291,524
Reserves	9.1	226,518,537	187,339,918
Total Equity		338,810,894	292,631,442

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

Statement of Changes in Equity For the Year Ended 30 June 2022

	Note	Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2022					
Balance at beginning of the financial year		292,631,442	105,291,524	187,154,740	185,178
Surplus/(deficit) for the year		7,016,933	7,016,933	-	-
Net asset revaluation increment/(decrement)	6.2	39,162,519	-	39,162,519	-
Transfers to other reserves	9.1	-	(16,100)	-	16,100
		<u>338,810,894</u>	<u>112,292,357</u>	<u>226,317,259</u>	<u>201,278</u>
Balance at end of the financial year		338,810,894	112,292,357	226,317,259	201,278

		Total \$	Accumulated Surplus \$	Revaluation Reserve \$	Other Reserves \$
2021					
Balance at beginning of the financial year		289,492,892	98,252,684	190,381,250	858,958
Adjusted opening balance		<u>289,492,892</u>	<u>98,252,684</u>	<u>190,381,250</u>	<u>858,958</u>
Surplus/(deficit) for the year		6,365,056	6,365,056	-	-
Net asset revaluation increment/(decrement)	6.2	(3,226,510)	-	(3,226,510)	-
Transfers to other reserves	9.1	-	(76,220)	-	76,220
Transfers from other reserves	9.1	-	750,000	-	(750,000)
		<u>3,138,546</u>	<u>7,038,836</u>	<u>(3,226,510)</u>	<u>(673,780)</u>
Balance at end of the financial year		292,631,442	105,291,524	187,154,740	185,178

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 2022

		2022 Inflows/ (Outflows) \$	2021 Inflows/ (Outflows) \$
	Note		
Cash flows from operating activities			
Rates and charges		20,287,686	20,077,132
Statutory fees and fines		680,450	661,449
User fees		856,004	775,129
Grants - operating		8,875,683	7,112,385
Grants - capital		1,826,818	9,396,850
Contributions - monetary		238,761	308,524
Interest received		54,264	107,922
Trust funds and deposits taken		2,312,754	2,030,176
Other receipts		527,024	405,025
Net GST refund/payment		1,446,527	1,779,939
Employee costs		(12,083,132)	(11,112,240)
Materials and services		(14,623,574)	(12,601,893)
Trust funds and deposits repaid		(2,180,333)	(1,920,631)
Other payments		(417,787)	(446,896)
Net cash provided by/(used in) operating activities		7,801,145	16,572,871
Cash flows from investing activities			
Payments for property, infrastructure, plant and equipment	6.2	(7,054,859)	(10,398,956)
Payments for intangible assets		(165,260)	(37,132)
Proceeds from sale of property, infrastructure, plant and equipment		53,523	543,296
Payments for investments		(4,450,000)	(3,645,236)
Net cash provided by/(used in) investing activities		(11,616,596)	(13,538,028)
Cash flows from financing activities			
Finance costs		(14,266)	(20,556)
Repayment of borrowings		(91,000)	(86,116)
Repayment of lease liabilities		(225,439)	(251,774)
Net cash provided by/(used in) financing activities		(330,705)	(358,446)
Net increase (decrease) in cash and cash equivalents		(4,146,156)	2,676,397
Cash and cash equivalents at the beginning of the financial year		5,550,069	2,873,672
Cash and cash equivalents at the end of the financial year		1,403,913	5,550,069
 Financing arrangements	5.6		
Restrictions on cash assets	5.1		

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

Statement of Capital Works For the Year Ended 30 June 2022

	Note	2022 \$	2021 \$
Property			
Buildings		428,802	564,676
Total property		428,802	564,676
Plant and equipment			
Plant, machinery and equipment		309,470	905,373
Fixtures, fittings and furniture		323,048	242,289
Intangible assets		165,260	37,132
Total plant and equipment		797,778	1,184,794
Infrastructure			
Roads		2,567,886	5,163,945
Bridges and culverts		318,917	299,308
Footpaths and cycleways		667,080	246,431
Drainage		499,601	1,221,609
Recreational, leisure and community facilities		1,569,769	1,155,029
Parks, open space and streetscapes		370,287	600,296
Total infrastructure		5,993,541	8,686,618
Total capital works expenditure		7,220,120	10,436,089
Represented by:			
New asset expenditure		981,936	1,500,807
Asset renewal expenditure		3,763,811	4,395,768
Asset expansion expenditure		1,278,645	918,884
Asset upgrade expenditure		1,195,728	3,620,630
Total capital works expenditure		7,220,120	10,436,089

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

Note 1 OVERVIEW

Introduction

The Strathbogrie 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 (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, the *Local Government Act 2020*, and the *Local Government (Planning and Reporting) Regulations 2020*.

The Council is a not-for-profit entity and therefore applies the additional AUS paragraphs applicable to a not-for-profit entity under the Australian Accounting Standards.

Significant accounting policies

(a) Basis of accounting

The accrual basis of accounting has been used in the preparation of these financial statements, except for the cash flow information, 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.

The financial statements are based on the historical cost convention unless a different measurement basis is specifically disclosed in the notes to the financial statements.

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.

The financial statements have been prepared on a going concern basis. The financial statements are in Australian dollars. The amounts presented in the financial statements have been rounded to the nearest dollar unless otherwise specified. Minor discrepancies in tables between totals and the sum of components are due to rounding.

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

- the fair value of land, buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of depreciation for buildings, infrastructure, plant and equipment (refer to Note 6.2)
- the determination of employee provisions (refer to Note 5.5)
- the determination of landfill provisions (refer to Note 5.5)
- the determination of whether performance obligations are sufficiently specific so as to determine whether an arrangement is within the scope of AASB 15 *Revenue from Contracts with Customers* or AASB 1058 *Income of Not-for-Profit Entities* (refer to Note 3)
- the determination, in accordance with AASB 16 *Leases*, of the lease term, the estimation of the discount rate when not implicit in the lease and whether an arrangement is in substance short-term or low value (refer to Note 5.8)
- whether or not AASB 1059 *Service Concession Arrangements: Grantors* is applicable
- other areas requiring judgements

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

(b) Impact of Covid-19

During 2021-22 the COVID-19 pandemic continued to impact on Council's operations. Council has noted the following significant impacts on its financial operations:

Council received additional \$678K capital grant from Federal Government under RLCIP for roads constructions. Council also received Commonwealth funded grants \$16k and state funded grants of \$300k during the financial year.

\$55k was spent on Active Air Purification System to facilitate Covid safe environment for the staff and customers at Council offices. \$11k was spent on other pandemic related expenses. Impact on other revenue, debt collection and operational costs were immaterial.

Construction industry has experienced a significant increase in cost and skill shortage due to pandemic related macro-economic factors. As a result, capital project delivery and assets valuation were impacted during the year.

There were periods of mandatory lockdown during the year where the two customer service centres had to be closed. There was no interruption to service provision as operations continued online and over the phone. Staff were able to efficiently work from home and manual processes were replaced by electronic workflows through Council's records management system.

There were no other business disruptions during the year. Overall impact to the council's operations during the last year has been mixed across services and functions, with some areas experiencing minimal interruptions while other areas such as project management and maintenance experiencing staff shortages and difficulties in recruiting given a very competitive labour market.

Notes to the Financial Report For the Year Ended 30 June 2022

Note 2.1 Performance against budget

The performance against budget notes compare Council's financial plan, expressed through its annual budget, with actual performance. The *Local Government (Planning and Reporting) Regulations 2020* requires explanation of any material variances. Council has adopted a materiality threshold of the lower of 10 percent or \$100,000 where further explanation is warranted. Explanations have not been provided for variations below the materiality threshold unless the variance is considered to be material because of its nature.

These notes are prepared to meet the requirements of the *Local Government Act 2020* and the *Local Government (Planning and Reporting) Regulations 2020*.

2.1.1 Income and expenditure

	Budget 2022 \$	Actual 2022 \$	Variance Fav./Unfav. \$	Variance %	Ref
Income					
Rates and charges	20,578,000	20,515,058	(62,942)	0%	
Statutory fees and fines	651,000	680,450	29,450	5%	
User fees	487,000	840,775	353,775	73%	1
Grants - operating	6,619,000	9,028,490	2,409,490	36%	2
Grants - capital	7,956,000	2,604,333	(5,351,667)	-67%	3
Contributions - monetary	408,000	238,761	(169,239)	-41%	4
Contributions - non monetary	-	1,721,874	1,721,874	100%	5
Net gain/(loss) on disposal of property, infrastructure, plant and equipment	(591,000)	28,389	619,389	-105%	6
Share of net profits/(losses) of associates and joint ventures	-	5,487	5,487	100%	7
Other income	453,000	700,362	247,362	55%	8
Total income	36,561,000	36,363,979	(197,021)	-1%	
Expenses					
Employee costs	11,185,000	12,067,320	(882,320)	-8%	9
Materials and services	12,648,000	9,979,633	2,668,367	21%	10
Depreciation	5,802,359	6,558,729	(756,370)	-13%	11
Amortisation - intangible assets	50,641	57,243	(6,602)	-13%	
Amortisation - right of use assets	178,000	207,533	(29,533)	-17%	12
Bad and doubtful debts	5,000	21,801	(16,801)	-336%	13
Borrowing costs	111,000	14,266	96,734	87%	14
Finance costs - leases	16,000	22,734	(6,734)	-42%	
Other expenses	301,000	417,787	(116,787)	-39%	15
Total expenses	30,297,000	29,347,046	949,954	3%	
Surplus/(deficit) for the year	6,264,000	7,016,933	752,933	12%	

Notes to the Financial Report For the Year Ended 30 June 2022

(i) Explanation of material variations

Income

1	User fees	Favourable variance is due to increased income from tip fees (\$90k), saleyard fees (\$76k) and lease income (\$57k).
2	Grants - operating	More than budgeted operating grant is due to receipt of 2022/23 Grant Commission Financial Assistance funds in 2021/22 resulting increased grant income of \$1,603k in 2021/22 compared to the budget. Council also received unbudgeted grants; Regional Tourism Project (\$204k), Local Government Outdoor Eating & Entertainment Package (\$200k), Business Concierge & Hospitality Support (\$60k), Victorian Health Promotion (\$41k) and COVID Vaccine Community Engagement (\$40k).
3	Grants - capital	Less than budgeted capital grant is due to Nagambie foreshore walk grants carried forward to 2022/23 (\$2,595k) and grants not yet received; local road & community infrastructure funding (\$1,440k), Nagambie Locksley Road bridge grant (\$600k) and Nagambie recreation reserve netball court and facilities grant (\$480k).
4	Contributions - monetary	Less than budgeted due to less than expected developer contributions received (\$185k).
5	Contributions - non monetary	Greater than budget by \$1,721k due to greater than anticipated Developer Gifted Assets received; Vickers Road estate (\$781k), River Road estate (\$597k) and Hughes estate (\$343k).
6	Gain on disposal of Assets	Less number of vehicles and plants sold due to market constraints in sourcing new replacement assets.
7	Profits from associates	This include profit allocation from Goulburn Valley Regional Library Corporation.
8	Other income	More than budgeted due to increased interest collected on overdue rates debts (\$131k), VCAT legal fee recovery (\$62k) and increased term deposit interest income (\$42k).

Expenses

9	Employee costs	Mainly due to MAV Workcover wind down payment (\$276k), unbudgeted overtime expenditure (\$321k) particularly in the maintenance area due to inability to recruit to fill vacancies and casual wage on Covid Concierges employees which is funded by grants and increase in income protection insurance (\$33k).
10	Materials and services	Materials and services less than budgeted mainly due to reversal of excess landfill provision (\$2,134k) and savings in assets maintenance expenses (\$170k), contractors/consultants fees (\$85k) and Utility expenses (\$80k).
11	Depreciation/Amortisation	Increased depreciation expenditure in buildings (\$236k) and infrastructure assets (\$527k).
12	Amortisation - right of use assets	Depreciation on new grader leased during the year (\$27k).
13	Bad and doubtful debts	Include write-off of long outstanding unrecoverable debt (\$18k).
14	Borrowing costs	Due to deferral of proposed borrowing for Violet town landfill rehabilitation work.
15	Other expenses	Unbudgeted municipal monitor expense (\$30k), increased internal auditor remuneration and audit committee (\$23k), and councillor allowances and superannuation (\$22k).

Notes to the Financial Report For the Year Ended 30 June 2022

2.1.2 Capital works

	Budget 2022 \$	Actual 2022 \$	Variance \$	Variance %	Ref
Property					
Buildings	1,143,000	428,802	(714,198)	-62%	1
Total buildings	1,143,000	428,802	(714,198)	-62%	
Total property	1,143,000	428,802	(714,198)	-62%	
Plant and equipment					
Plant, machinery and equipment	902,000	309,470	(592,530)	-66%	2
Fixtures, fittings and furniture	350,000	488,308	138,308	40%	3
Total plant and equipment	1,252,000	797,778	(454,222)	-36%	
Infrastructure					
Roads	3,855,000	2,567,886	(1,287,114)	-33%	4
Bridges	1,400,000	318,917	(1,081,083)	-77%	5
Footpaths and cycleways	3,989,000	667,080	(3,321,920)	-83%	6
Drainage	753,000	499,601	(253,399)	-34%	7
Recreational, leisure and community facilities	3,848,000	1,569,769	(2,278,231)	-59%	8
Waste management	5,000,000	94,893	(4,905,107)	-98%	9
Parks, open space and streetscapes	331,000	275,393	(55,607)	-17%	10
Total infrastructure	19,176,000	5,993,541	(13,182,459)	-69%	
Total capital works expenditure	21,571,000	7,220,120	(14,350,880)	-67%	
Represented by:					
New asset expenditure	3,208,000	981,936	(2,226,064)	-69%	
Asset renewal expenditure	13,386,000	3,763,811	(9,622,189)	-72%	
Asset expansion expenditure	1,170,000	1,278,645	108,645	9%	
Asset upgrade expenditure	3,807,000	1,195,728	(2,611,272)	-69%	
Total capital works expenditure	21,571,000	7,220,120	(14,350,880)	-67%	

(i) Explanation of material variations

Ref	Item	Explanation
1	Buildings	Due to projects that were carried forward to 2022/23 year – Euroa Civic Centre Roof cladding (\$371k) and Strathbogie recreation reserve pavilion upgrade (\$250k).
2	Plant, machinery and equipment	Market constraints in sourcing new vehicles and plants. Budget carried forward to 2022/23.
3	Fixtures, fittings and furniture	Completion of cinema seating upgrade which was not in the original budget (\$130k).
4	Roads	Savings in Zero class upgrade program (\$282k), road resealing program (\$291k), Shoulder Pavement Program (\$261k), and Seal Weir Road/Lake Road Kirwans bridge carried forward work to 2022/23 (\$451k).
5	Bridges	Due to work in progress project that need to carried forward to 2022/23; Nagambie Locksley Rd bridge (\$1,091k).
6	Footpaths and cycleways	Work in progress project that need to carried forward to 2022/23; Rockies Pedestrian Footbridge (\$170k) and Lake Nagambie Foreshore Walk (\$2,735).
7	Drainage	Due to work in progress project that carried forward to 2022/23; Nagambie Industrial Estate Drainage (\$268k).
8	Recreational, leisure and community facilities	Projects carried forward to 2022/23; Local road community structure projects (\$1,440k), Nagambie splash park (\$368k) and Nagambie recreation reserve lighting (\$287k). Projects not proceed with Longwood netball courts project that will be completed by others.
9	Waste management	Work in progress project carried forward to 2022/23; Violet Town Landfill restoration work originally budgeted at \$5m. Actual landfill rehabilitation work forecasted at \$2.7m.
10	Parks, open space and streetscapes	Carried forward projects to 2022/23; town entry signs upgrade (\$30k) and streetscapes & open space amenities program (\$30k).

Note 2.2 Analysis of Council results by program

Council delivers its functions and activities through the following programs.

A structural realignment of functions was undertaken in late June 2022, however the following information reflects the organisational structure that was in place for the majority of the financial year.

2.2.1 Community & Planning

Community & Planning provides high quality community focused programs. Service areas include maternal and child health, youth, seniors, community grants, arts and culture, tourism, regulatory services, local laws, emergency management and economic development programs. It also includes strategic and statutory land use planning.

Corporate Leadership

Corporate Leadership provides effective strategic oversight, policy development and communications/engagement.

Corporate Operations

Corporate Operations provides strategic and financial management of the organisation. Service areas include regulatory services, local laws, financial management, assets management, operations and emergency management.

People & Governance

People & Governance provides primarily internally focussed services including human resources, risk management, occupational health and safety, information communication technology, records management, frontline customer service and corporate governance and council business.

2.2.2 Summary of income, expenses, assets and capital expenses by program

	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2022					
Corporate Operations	33,274,814	(21,171,755)	12,103,059	9,141,309	254,637,194
Community & Planning	2,912,033	(3,728,808)	(816,775)	2,451,514	44,847,161
People & Governance	155,561	(3,125,545)	(2,969,983)	-	37,591,587
Corporate Leadership	41,000	(966,273)	(925,273)	40,000	11,621,569
Mayor & Councillors	12,269	(354,665)	(342,396)	-	4,265,637
	36,395,678	(29,347,046)	7,048,632	11,632,823	352,963,149
	Income	Expenses	Surplus/ (Deficit)	Grants included in income	Total assets
	\$	\$	\$	\$	\$
2021					
Corporate Operations	33,641,635	(22,262,811)	11,378,825	8,344,271	223,221,202
Community & Planning	3,579,189	(4,048,039)	(468,850)	1,671,150	40,588,231
People & Governance	97,553	(3,112,523)	(3,014,970)	-	31,208,149
Corporate Leadership	94	(1,123,597)	(1,123,503)	-	11,265,904
Mayor & Councillors	6,363	(412,809)	(406,445)	-	4,139,083
	37,324,834	(30,959,778)	6,365,056	10,015,421	310,422,569

Notes to the Financial Report For the Year Ended 30 June 2022

Note 3 Funding for the delivery of our services

3.1 Rates and charges

2022
\$

2021
\$

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 valuation of the land and all improvements on the land.

The valuation base used to calculate general rates for 2021/22 was \$4.105million (2020/21 \$3.689 million).

General rates	17,590,122	17,266,867
Waste management charge	2,924,936	2,818,705
Total rates and charges	20,515,058	20,085,572

The date of the latest general revaluation of land for rating purposes within the municipal district was 30th April 2022, and the valuation will be first applied in the rating year commencing 1st July 2022.

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

3.2 Statutory fees and fines

Building fees	148,825	119,489
Planning fees	336,518	395,119
Health registrations	83,774	27,463
Animal registrations	83,141	98,088
Land information certificates	25,577	20,762
Fire Prevention Notice Infringements	2,615	528
Total statutory fees and fines	680,450	661,449

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

3.3 User fees

Tip fees	223,676	190,006
Nagambie Lakes events	12,540	11,910
Saleyard operations revenue	271,625	253,464
Swimming pools revenue	3,594	3,148
Rent/lease Charges	141,720	118,323
Euroa Cinema	4,894	23,687
Septic tank fees	24,959	20,234
Other user charges and contributions	157,767	126,307
Total user fees	840,775	747,079

User fees by timing of revenue recognition

User fees recognised over time	-	-
User fees recognised at a point in time	840,775	747,079
Total user fees	840,775	747,079

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

3.4 Funding from other levels of government

Grants were received in respect of the following :

Summary of grants

Commonwealth funded grants	9,470,645	9,640,626
State funded grants	2,162,177	3,858,973
Total grants received	11,632,822	13,499,599

Notes to the Financial Report

For the Year Ended 30 June 2022

	2022 \$	2021 \$
(a) Operating Grants		
<i>Recurrent - Commonwealth Government</i>		
Financial Assistance Grants	7,440,469	5,773,874
<i>Recurrent - State Government</i>		
Maternal & Child Health	240,581	221,404
Community Safety	7,848	18,673
Youth	121,404	76,658
Pests and Plants Program	65,893	60,231
Municipal Emergency Resource Programme	13,200	133,200
Supported Playgroup	60,710	60,638
Vulnerable Persons Register	21,490	18,216
Boat Ramp Maintenance	8,900	170
School Crossing Supervision	30,850	30,205
Other	23,840	25,241
Total recurrent operating grants	8,035,185	6,418,510
<i>Non-recurrent - Commonwealth Government</i>		
Tourism & Events	-	51,100
<i>Non-recurrent - State Government</i>		
Economic Development	60,000	60,000
Greening Euroa	63,180	65,350
Environment	88,046	10,000
Tourism & Events	404,000	250,000
Emergency & Disaster Management	-	121,006
Working for Victoria	-	645,899
Planning and Business Case	35,000	2,500
Water/Waterways Management	54,000	-
Health	93,479	-
Rural Roads Support Program	21,500	-
Kindergarten	81,000	-
Other - NR-OP	93,100	90,000
Total non-recurrent operating grants	993,305	1,295,856
Total operating grants	9,028,490	7,714,366
(b) Capital Grants		
<i>Recurrent - Commonwealth Government</i>		
Roads to recovery	1,200,000	2,159,352
Total recurrent capital grants	1,200,000	2,159,352
<i>Non-recurrent - Commonwealth Government</i>		
Drought Funding	100,000	900,000
Infrastructure Funding Grant	678,023	756,300
Nagambie Foreshore Walk	52,153	-
<i>Non-recurrent - State Government</i>		
Roads and Bridges	-	1,503,668
Buildings	-	99,633
Recreation	41,250	325,000
Footpaths	402,323	-
Tourism & Events	130,000	-
Other Flood Recovery Grants	-	41,280
Environment - Capital	584	-
Total non-recurrent capital grants	1,404,333	3,625,881
Total capital grants	2,604,333	5,785,233

Notes to the Financial Report For the Year Ended 30 June 2022

	2022	2021
	\$	\$
(c) Unspent grants received on condition that they be spent in a specific manner		
Operating		
Balance at start of year	305,172	273,582
Received during the financial year and remained unspent at balance date	765,703	160,800
Received in prior years and spent during the financial year	(216,749)	(129,210)
Balance at year end	854,126	305,172
Capital		
Balance at start of year	3,401,555	1,164,948
Received during the financial year and remained unspent at balance date	80,000	3,401,555
Received in prior years and spent during the financial year	(806,031)	(1,164,948)
Balance at year end	2,675,524	3,401,555

(d) Recognition of grant income

Before recognising funding from government grants as revenue the Council assesses whether there is a contract that is enforceable and has sufficiently specific performance obligations in accordance with AASB 15 *Revenue from Contracts with Customers*. When both these conditions are satisfied, the Council:

- identifies each performance obligation relating to revenue under the contract/agreement
- determines the transaction price
- recognises a contract liability for its obligations under the agreement
- recognises revenue as it satisfies its performance obligations, at the time or over time when services are rendered.

Where the contract is not enforceable and/or does not have sufficiently specific performance obligations, the Council applies AASB 1058 *Income for Not-for-Profit Entities*.

Grant revenue with sufficiently specific performance obligations is recognised over time as the performance obligations specified in the underlying agreement are met. Where performance obligations are not sufficiently specific, grants are recognised on the earlier of receipt or when an unconditional right to receipt has been established. Grants relating to capital projects are generally recognised progressively as the capital project is completed. The following table provides a summary of the accounting framework under which grants are recognised.

Income recognised under AASB 1058 *Income of Not-for-Profit Entities*

General purpose	7,742,900	6,077,066
Specific purpose grants to acquire non-financial assets	-	-
Other specific purpose grants	1,116,223	904,951
Revenue recognised under AASB 15 <i>Revenue from Contracts with Customers</i>		
Specific purpose grants	2,773,699	6,517,582
	11,632,822	13,499,599

	2022	2021
	\$	\$
3.5 Contributions		
Monetary	238,761	311,706
Non-monetary	1,721,874	1,363,611
Total contributions	1,960,635	1,675,317

Contributions of non monetary assets were received in relation to the following asset classes.

Roads	900,062	330,009
Kerb & Channel	-	102,560
Footpath	225,504	278,450
Drainage	349,355	601,892
Land under roads	246,953	50,700
Total non-monetary contributions	1,721,874	1,363,611

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

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

Proceeds of sale	53,523	543,296
Written down value of assets disposed	(25,134)	(399,427)
Total net gain/(loss) on disposal of property, infrastructure, plant and equipment	28,389	143,869

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

3.7 Other income	2022	2021
	\$	\$
Interest	100,225	105,520
Interest on rates	210,561	122,904
Diesel rebate	63,040	65,917
Insurance recoveries	139,757	95,576
Other items	186,779	93,891
Total other income	700,362	483,808

Interest is recognised as it is earned.

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

Note 4 The cost of delivering services	2022	2021
	\$	\$
4.1 (a) Employee costs		
Wages and salaries	10,281,715	10,592,117
WorkCover	438,254	190,742
Superannuation	991,730	954,747
Fringe benefits tax	111,291	84,695
Other	244,330	256,010
Total employee costs	12,067,320	12,078,311

(b) Superannuation

Council made contributions to the following funds:

Defined benefit fund

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	64,633	59,242
Employer contributions - other funds	-	-
	64,633	59,242
Employer contributions payable at reporting date.	-	-

Accumulation funds

Employer contributions to Local Authorities Superannuation Fund (Vision Super)	448,209	428,532
Employer contributions - other funds	475,025	449,024
	923,234	877,556
Employer contributions payable at reporting date.	3,863	17,949

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

4.2 Materials and services

Building maintenance	630,854	648,836
General maintenance *	4,394,690	4,205,400
Utilities	281,166	297,979
Office administration	1,629,098	1,555,734
Information technology	703,125	760,836
Insurance	464,731	374,095
Consultants	1,281,740	1,055,114
Legal fees	285,882	140,411
Emergency Expense	12,814	21,389
Waste Management **	295,533	2,752,560
Total materials and services	9,979,633	11,812,354

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

* General maintenance includes, but is not limited to, maintenance of infrastructure (\$1,053k), maintenance of road canopy and trees (\$829k), plant expenses (\$618k), professional service fees (\$482k) and materials (\$248k).

** Waste Management expenses include landfill provision reversal of \$2,133,840. Refer to Note 5.5.

	2022	2021
	\$	\$
4.3 Depreciation		
Property	1,106,015	1,030,464
Plant and equipment	425,188	444,487
Furniture and Equipment	194,874	187,672
Infrastructure	4,832,652	4,590,467
Total depreciation	6,558,729	6,253,090

Refer to note 5.2(c), 5.8 and 6.2 for a more detailed breakdown of depreciation and amortisation charges and accounting policy.

4.4 Amortisation - Intangible assets

Software	57,243	64,669
Total Amortisation - Intangible assets	57,243	64,669

4.5 Amortisation - Right of use assets

Property	9,206	9,206
Plant and equipment	198,327	226,872
Total Amortisation - Right of use assets	207,533	236,078

4.6 Bad and doubtful debts

Rates debtors	18,263	-
Other debtors	3,538	13,430
Total bad and doubtful debts	21,801	13,430

Movement in provisions for doubtful debts

Balance at the beginning of the year	9,573	35,831
New provisions recognised during the year	3,539	7,436
Amounts already provided for and written off as uncollectible	(6,877)	(31,710)
Amounts provided for but recovered during the year	-	(1,984)
Balance at end of year	6,235	9,573

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

4.7 Borrowing costs

Interest - Borrowings	14,266	20,556
Total borrowing costs	14,266	20,556

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

4.8 Finance Costs - Leases

Interest - Lease Liabilities	22,734	21,744
Total finance costs	22,734	21,744

4.9 Other expenses

Auditors' remuneration - VAGO - audit of the financial statements, performance statement and grant acquittals	56,400	41,600
Auditors' remuneration - Internal Audit & Audit Committee	72,927	57,743
Councillors' allowances	229,506	193,618
Other Councillor expenses	55,448	43,388
WDV of Infrastructure Assets Renewed	-	12,650
Election Expenses	3,506	110,547
Total other expenses	417,787	459,546

Note 5 Our financial position	2022	2021
5.1 Financial assets	\$	\$
(a) Cash and cash equivalents		
Cash on hand	1,893	1,293
Cash at bank	902,020	2,948,776
Term deposits	500,000	2,600,000
Total cash and cash equivalents	1,403,913	5,550,069
(b) Other financial assets		
Share in MAV Purchasing Scheme	2,032	2,032
Term deposits - current	21,800,000	17,350,000
Total other financial assets	21,802,032	17,352,032
Total financial assets	23,205,945	22,902,101

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

- Trust funds and deposits (Note 5.3)	687,644	555,222
Total restricted funds	687,644	555,222
Total unrestricted cash and cash equivalents	716,269	4,994,847

Intended allocations

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

- Cash held to fund carried forward capital works	7,686,167	3,198,000
- Open space reserve	201,278	185,178
- Caravan Park (operating and capital expense)	226,539	112,391
Total funds subject to intended allocations	8,113,984	3,495,569

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.

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

Other financial assets include term deposits and those with original maturity dates of three to 12 months are classified as current, whilst term deposits with maturity dates greater than 12 months are classified as non-current.

	2022 \$	2021 \$
(c) Trade and other receivables		
Current		
<i>Statutory receivables</i>		
Rates debtors	2,405,729	2,157,164
Special rate assessment	9,383	11,886
Net GST receivable	224,933	142,794
<i>Non statutory receivables</i>		
Other debtors	809,775	285,749
Provision for doubtful debts - other debtors	(6,235)	(9,573)
Total current trade and other receivables	3,443,585	2,588,020
Non-current		
<i>Statutory receivables</i>		
Special rate scheme	21,903	43,096
Total non-current trade and other receivables	21,903	43,096
Total trade and other receivables	3,465,488	2,631,116

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

(d) Ageing of Receivables

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

Current (not yet due)	552,137	23,618
Past due by up to 30 days	31,917	72,204
Past due between 31 and 180 days	85,987	46,350
Past due between 181 and 365 days	95,616	128,910
Past due by more than 1 year	44,118	14,667
Total trade and other receivables	809,775	285,749

Notes to the Financial Report For the Year Ended 30 June 2022

5.2 Non-financial assets	2022	2021
(a) Other assets	\$	\$
Prepayments	289,261	407,803
Accrued income	110,321	172,897
Inventories	16,177	9,330
Total other assets	415,759	590,030
(b) Intangible assets		
Software	187,184	79,167
Total intangible assets	187,184	79,167
	Software	Total
	\$	\$
Gross carrying amount		
Balance at 1 July 2021	957,180	957,180
Other additions	165,260	165,260
Balance at 30 June 2022	1,122,440	1,122,440
Accumulated amortisation and impairment		
Balance at 1 July 2021	878,013	878,013
Amortisation expense	57,243	57,243
Balance at 30 June 2022	935,256	935,256
Net book value at 30 June 2021	79,167	79,167
Net book value at 30 June 2022	187,184	187,184

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

5.3 Payables, trust funds and deposits and unearned income/revenue	2022	2021
(a) Trade and other payables	\$	\$
<i>Non-statutory payables</i>		
Trade payables	1,923,441	2,642,774
Accrued expenses	116,558	537,034
Total trade and other payables	2,039,999	3,179,808
(b) Trust funds and deposits		
Current		
Fire services levy	44,425	67,292
Retention amounts	190,683	185,683
Other refundable deposits	399,805	247,081
Total current trust funds and deposits	634,913	500,056
Non-current		
Trust funds bequested	52,731	55,166
Total non-current trust funds and deposits	52,731	55,166
Total trust funds and deposits	687,644	555,222
(c) Unearned income/revenue		
Grants received in advance - operating	481,122	305,172
Grants received in advance - capital	2,675,524	3,401,555
Total unearned income/revenue	3,156,646	3,706,727

Unearned income/revenue represents contract liabilities and reflect grants received in respect of delivery of community infrastructure and community services. Unearned income/revenue are derecognised and recorded as revenue when promised goods and services are transferred to the customer. Refer to Note 3.

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

Purpose and nature of items

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

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

5.4 Interest-bearing liabilities

	2022 \$	2021 \$
Current		
Borrowings - secured	96,557	91,000
	96,557	91,000
Non-current		
Borrowings - secured	94,868	191,425
	94,868	191,425
Total	191,425	282,425

Borrowings are secured by a registered charge over the Council rates on the Personal Property Security Register.

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

Not later than one year	96,557	91,000
Later than one year and not later than five years	94,868	191,425
Later than five years	-	-
	191,425	282,425

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.

5.5 Provisions

	Employee \$	Landfill restoration \$	Total \$
2022			
Balance at beginning of the financial year	3,279,027	6,135,497	9,414,524
Additional provisions	1,128,048	(1,780,683)	(652,635)
Amounts used	(1,117,401)	-	(1,117,401)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(26,459)	(353,157)	(379,616)
Balance at the end of the financial year	3,263,216	4,001,657	7,264,873
2021			
Balance at beginning of the financial year	2,850,990	5,597,463	8,448,453
Additional provisions	1,248,695	-	1,248,695
Amounts used	(756,028)	-	(756,028)
Change in the discounted amount arising because of time and the effect of any change in the discount rate	(64,630)	538,034	473,404
Balance at the end of the financial year	3,279,027	6,135,497	9,414,524

Notes to the Financial Report For the Year Ended 30 June 2022

	2022	2021
	\$	\$
(a) Employee provisions		
Current provisions expected to be wholly settled within 12 months		
Annual leave	767,000	745,568
Long service leave	210,452	203,181
Other	11,254	31,444
	988,706	980,193
Current provisions expected to be wholly settled after 12 months		
Annual leave	466,717	571,070
Long service leave	1,431,183	1,410,446
	1,897,900	1,981,516
Total current employee provisions	2,886,605	2,961,709
Non-current		
Long service leave	376,610	317,318
Total non-current employee provisions	376,610	317,318
Aggregate carrying amount of employee provisions:		
Current	2,886,605	2,961,709
Non-current	376,610	317,318
Total aggregate carrying amount of employee provisions	3,263,215	3,279,027

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

Annual leave

A liability for annual leave is recognised in the provision for employee benefits as a current liability because the Council does not have an unconditional right to defer settlement of the liability. Liabilities for annual leave are measured at:

- nominal value if the Council expects to wholly settle the liability within 12 months
- present value if the Council does not expect to wholly settle within 12 months.

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. Unconditional LSL is disclosed as a current liability as the Council does not have an unconditional right to defer settlement. Unconditional LSL is measured at nominal value if expected to be settled within 12 months or at present value if not expected to be settled within 12 months. 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 and measured at present value.

Key assumptions:

- discount rate	3.33%	0.88%
- index rate	1.70%	1.70%

	2022	2021
	\$	\$
(b) Landfill restoration		
Current	2,782,651	1,622,436
Non-current	1,219,007	4,513,062
	4,001,658	6,135,498

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.

Key assumptions:

- discount rate	3.33%	0.88%
- index rate	5.10%	1.90%

5.6 Financing arrangements

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

Bank overdraft	1,145,000	1,145,000
Loan facilities	191,425	282,424
Credit card facilities	100,000	100,000
Total facilities	1,436,425	1,527,424
Used facilities	(199,414)	(290,214)
Unused facilities	1,237,011	1,237,210

Notes to the Financial Report For the Year Ended 30 June 2022

5.7 Commitments

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

(a) Commitments for expenditure

	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
	\$	\$	\$	\$	\$
2022					
Operating					
Open space management	373,348	373,348	71,074	-	817,771
Governance	239,645	199,673	62,664	-	501,981
Human Resources	58,592	16,476	-	-	75,068
Assets Services	59,261	-	-	-	59,261
Finance	49,153	-	-	-	49,153
Environment & Waste	125,478	73,393	26,693	-	225,565
Total	905,477	662,891	160,431	-	1,728,799
Capital					
Open Space	1,838,776	-	-	-	1,838,776
Total	1,838,776	-	-	-	1,838,776
	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
	\$	\$	\$	\$	\$
2021					
Operating					
Open space management	20,381	-	-	-	20,381
Governance	393,800	250,320	74,250	-	718,370
Human Resources	15,172	-	-	-	15,172
Emergency management	53,228	-	-	-	53,228
Finance	49,142	-	-	-	49,142
Environment & Waste	47,457	47,457	47,457	-	142,371
Total	579,180	297,777	121,707	-	998,664
Capital					
Roads	1,890,621	-	-	-	1,890,621
Total	1,890,621	-	-	-	1,890,621

5.8 Leases

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

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

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

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

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

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

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

Notes to the Financial Report For the Year Ended 30 June 2022

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

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

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

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

Right-of-Use Assets

	Property	Plant & Equipment	Total
	\$	\$	\$
Balance at 1 July 2021	18,410	618,043	636,453
Additions	-	361,954	361,954
Amortisation charge	(9,206)	(198,327)	(207,533)
Balance at 30 June 2022	9,204	781,670	790,874

Lease Liabilities

	2022	2021
	\$	\$
Maturity analysis - contractual undiscounted cash flows		
Less than one year	269,066	194,393
One to five years	602,259	492,559
More than five years	-	-
Total undiscounted lease liabilities as at 30 June:	871,325	686,952

Lease liabilities included in the Balance Sheet at 30 June:

Current	243,936	178,337
Non-current	567,733	474,083
Total lease liabilities	811,669	652,420

Short-term and low value leases

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

	2022	2021
	\$	\$
Expenses relating to:		
Short-term leases	18,606	16,490
Leases of low value assets	-	-
Total	18,606	16,490
Variable lease payments (not included in measurement of lease liabilities)	-	-

Note 6 Assets we manage

6.1 Non current assets classified as held for sale

	2022	2021
	\$	\$
Cost of acquisition	417,384	417,384
Total non current assets classified as held for sale	417,384	417,384

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

Notes to the Financial Report For the Year Ended 30 June 2022

6.2 Property, infrastructure, plant and equipment

Summary of property, infrastructure, plant and equipment

	Carrying amount 30 June 2021	Additions	Contributions	Revaluation	Depreciation	Disposal	Write-off	Transfers	Carrying amount 30 June 2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Property	59,090,189	205,429	246,953	-	(1,106,015)	-	-	19,646	58,456,202
Plant and equipment	4,941,267	632,518	-	-	(620,062)	(25,135)	-	-	4,928,588
Infrastructure	214,707,824	3,422,659	1,474,921	39,162,519	(4,832,652)	-	-	1,849,908	255,785,179
Work in progress	4,171,752	2,794,255	-	-	-	-	(46,679)	(1,869,554)	5,049,772
	282,911,031	7,054,860	1,721,874	39,162,519	(6,558,729)	(25,135)	(46,679)	-	324,219,741

Summary of Work in Progress

	Opening WIP	Additions	Write-off	Reclassification	Transfers	Closing WIP
	\$	\$	\$		\$	\$
Property	63,879	223,373	-	(11,316)	(19,646)	256,289
Infrastructure	4,107,873	2,570,882	(46,679)	11,316	(1,849,908)	4,793,483
Total	4,171,752	2,794,255	(46,679)	-	(1,869,554)	5,049,772

Notes to the Financial Report For the Year Ended 30 June 2022

(a) Property

	Land - specialised	Land - non specialised	Land under roads	Total Land	Buildings - specialised	Buildings - non specialised	Total Buildings	Cultural and heritage assets	Work In Progress	Total Property
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2021	23,865,948	4,715,000	264,765	28,845,713	61,869,047	3,305,676	65,174,723	2,298,900	63,879	96,383,216
Accumulated depreciation at 1 July 2021	-	-	-	-	(36,136,003)	(1,093,144)	(37,229,148)	-	-	(37,229,148)
	23,865,948	4,715,000	264,765	28,845,713	25,733,044	2,212,532	27,945,576	2,298,900	63,879	59,154,068
Movements in fair value										
Additions	-	-	-	-	205,429	-	205,429	-	223,373	428,802
Contributions	-	-	246,953	246,953	-	-	-	-	-	246,953
Revaluation	-	-	-	-	-	-	-	-	-	-
Assets reclassification	-	-	-	-	-	-	-	-	(11,316)	(11,316)
Disposal	-	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	19,646	-	19,646	-	(19,646)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
	-	-	246,953	246,953	225,075	-	225,075	-	192,410	664,439
Movements in accumulated depreciation										
Depreciation and amortisation	-	-	-	-	(1,106,015)	-	(1,106,015)	-	-	(1,106,015)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	(1,106,015)	-	(1,106,015)	-	-	(1,106,015)
At fair value 30 June 2022	23,865,948	4,715,000	511,718	29,092,666	62,094,122	3,305,676	65,399,799	2,298,900	256,289	97,047,654
Accumulated depreciation at 30 June 2022	-	-	-	-	(37,242,018)	(1,093,144)	(38,335,163)	-	-	(38,335,163)
Carrying amount	23,865,948	4,715,000	511,718	29,092,666	24,852,104	2,212,532	27,064,636	2,298,900	256,289	58,712,492

(b) Plant and Equipment

	Plant machinery and equipment	Fixtures fittings and furniture	Cultural and heritage assets - Arts & Monuments	Total plant and equipment
	\$	\$	\$	\$
At fair value 1 July 2021	5,895,800	3,160,103	2,146,950	11,202,853
Accumulated depreciation at 1 July 2021	(3,754,593)	(2,506,993)	-	(6,261,586)
	2,141,207	653,109	2,146,950	4,941,267
Movements in fair value				
Additions	309,470	323,048	-	632,518
Contributions	-	-	-	-
Revaluation	-	-	-	-
Disposal	(134,869)	-	-	(134,869)
Write-off	-	-	-	-
Transfers	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-
	174,601	323,048	-	497,649
Movements in accumulated depreciation				
Depreciation and amortisation	(425,188)	(194,874)	-	(620,062)
Accumulated depreciation of disposals	109,734	-	-	109,734
Impairment losses recognised in operating result	-	-	-	-
Transfers	-	-	-	-
	(315,454)	(194,874)	-	(510,328)
At fair value 30 June 2022	6,070,401	3,483,150	2,146,950	11,700,502
Accumulated depreciation at 30 June 2022	(4,070,047)	(2,701,867)	-	(6,771,914)
Carrying amount	2,000,354	781,283	2,146,950	4,928,588

Notes to the Financial Report

For the Year Ended 30 June 2022

(c) Infrastructure

	Roads	Bridges	Footpaths and cycleways	Drainage	Kerb and channel	Parks open spaces and streetscapes	Cultural and heritage assets	Work In Progress	Total Infrastructure
	\$	\$	\$	\$	\$	\$	\$	\$	\$
At fair value 1 July 2021	197,621,734	63,697,382	5,427,948	17,922,240	6,764,753	20,902,153	2,288,263	4,107,873	318,732,346
Accumulated depreciation at 1 July 2021	(60,950,019)	(19,846,053)	(1,553,822)	(4,591,504)	(2,751,901)	(10,223,351)	-	-	(99,916,649)
	136,671,716	43,851,329	3,874,126	13,330,736	4,012,852	10,678,802	2,288,263	4,107,873	218,815,697
Movements in fair value									
Additions	2,284,520	-	276,782	468,296	8,740	384,321	-	2,570,882	5,993,541
Contributions	900,062	-	225,504	349,355	-	-	-	-	1,474,921
Revaluation	43,313,428	9,086,086	-	-	8,368,473	-	-	-	60,767,987
Assets reclassification	-	-	-	-	-	-	-	11,316	11,316
Disposal	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	-	-	-	-	(46,679)	(46,679)
Transfers	776,169	-	60,684	41,189	-	971,866	-	(1,849,908)	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
	47,274,179	9,086,086	562,970	858,840	8,377,213	1,356,187	-	685,610	68,201,085
Movements in accumulated depreciation									
Depreciation and amortisation	(3,053,189)	(728,320)	(134,646)	(162,488)	(201,655)	(552,354)	-	-	(4,832,652)
Revaluation	(17,654,202)	(946,326)	-	-	(3,004,940)	-	-	-	(21,605,468)
Accumulated depreciation of disposals	-	-	-	-	-	-	-	-	-
Impairment losses recognised in operating result	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
	(20,707,391)	(1,674,646)	(134,646)	(162,488)	(3,206,595)	(552,354)	-	-	(26,438,120)
At fair value 30 June 2022	244,895,914	72,783,468	5,990,918	18,781,080	15,141,966	22,258,340	2,288,263	4,793,483	386,933,431
Accumulated depreciation at 30 June 2022	(81,657,410)	(21,520,699)	(1,688,468)	(4,753,992)	(5,958,496)	(10,775,705)	-	-	(126,354,769)
Carrying amount	163,238,504	51,262,769	4,302,450	14,027,088	9,183,470	11,482,635	2,288,263	4,793,483	260,578,662

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

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

	Depreciation Period	Threshold Limit
Asset recognition thresholds and depreciation periods		\$
Property		
land	-	10,000
Buildings		
buildings	10 to 100 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 including right of use assets	3 to 5 years	5,000
Infrastructure		
road pavements - sealed	40 to 130 years	5,000
road pavements - unsealed	25 to 40 years	5,000
road seals	18 to 40 years	5,000
formation and earthworks	100 years	5,000
bridges deck	50 to 120 years	5,000
bridges substructure	60 to 250 years	5,000
culverts	60 to 250 years	5,000
footpaths	10 to 60 years	5,000
drainage	100 years	5,000
parks open spaces and streetscapes	15 to 100 years	5,000
kerb and channel	50 to 100 years	5,000
cultural and heritage assets	-	5,000

Land under roads

Council recognises land under roads it controls at fair value.

Depreciation and amortisation

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

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

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

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

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

Repairs and maintenance

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

Leasehold improvements

Leasehold improvements are recognised at cost and are amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter. At balance date, there are no leasehold improvements.

Valuation of land and buildings

Valuation of land were undertaken by a qualified independent valuer APV Valuers & Assets Management in June 2021. The valuation of land is at fair value, being market value based on highest and best use permitted by relevant land planning provisions. Depending upon the nature of the specific assets the valuation approach has included the adoption of a singular or multiple techniques; Market approach or Cost approach. 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.

Notes to the Financial Report For the Year Ended 30 June 2022

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

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

Land and building asset values disclosed in the financial statements are not expected to be materially impacted by COVID-19 as at 30 June 2022.

Details of the Council's land and buildings and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Land	-	4,715,000	-	Jun-21
Specialised land	-	-	23,865,948	Jun-21
Land under roads	-	-	264,765	Jun-18
Heritage Buildings	-	-	2,298,900	Jun-20
Buildings & site improvements	-	2,212,532	25,733,044	Jun-20
Total	-	6,927,532	52,162,657	

Valuation of infrastructure

The valuation is at fair value as at 30 June 2021 plus all 2021/22 additions at cost and is based on replacement cost less accumulated depreciation as at the date of valuation. The base valuation of infrastructure assets conducted at 30 June 2020 was made by Daniel Haysom, Civil Engineer/Manager Asset.

Condition survey of Roads, Bridges and Kerb and Channels were conducted by Peter Moloney (Dip CE. CE. EWS. MIEAust) at Moloney Asset Management Systems. Replacement unit rates have been applied to the asset condition to arrive at revaluation figure as at 30th June 2022 and reviewed by Daniel Haysom, Civil Engineer/Manager Asset.

Details of the Council's infrastructure and information about the fair value hierarchy as at 30 June 2022 are as follows:

	Level 1	Level 2	Level 3	Date of Valuation
Roads	-	-	163,238,504	Jun-22
Bridges	-	-	51,262,769	Jun-22
Footpaths and cycleways	-	-	4,302,450	Jun-19
Drainage	-	-	14,027,088	Jun-19
Kerb and channel	-	-	9,183,470	Jun-22
Parks, open space and streetscapes	-	-	11,482,635	Jun-21
Total	-	-	253,496,916	

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 are calculated on a square metre basis and ranges from \$200 to \$700 per square metre. The remaining useful lives of buildings are determined on the basis of the current condition of buildings and vary from 20 years to 120 years. Replacement cost is sensitive to changes in market conditions, with any increase or decrease in cost flowing through to the valuation. Useful lives of buildings are sensitive to changes in expectations or requirements that could either shorten or extend the useful lives of buildings.

Infrastructure assets are valued based on the current 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.

	2022	2021
	\$	\$
Reconciliation of specialised land		
Parks and reserves	17,220,948	17,220,948
Waste management	1,514,000	1,514,000
Civic centres	2,441,000	2,441,000
Council depts	1,100,000	1,100,000
Caravan parks	950,000	950,000
Pre schools	390,000	390,000
Saleyards	250,000	250,000
Total specialised land	23,865,948	23,865,948

	2022	2021
	\$	\$

6.3 Investments in associates, joint arrangements and subsidiaries

(a) Investments in associates

- Goulburn Valley Regional Library Corporation	260,774	255,287
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Goulburn Valley Regional Library Corporation

Background

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% (2020/21 9.89%) of equity in the Corporation. Council has two directors on the board of nine. Council has the ability to influence rather than control its operations.

Fair value of Council's investment in Goulburn Valley Regional Library Corporation	260,774	255,287
Council's share of accumulated surplus/(deficit)		
Council's share of accumulated surplus/(deficit) at start of year	255,287	227,146
Reported surplus/(deficit) for year	5,487	28,141
Council's share of accumulated surplus/(deficit) at end of year	260,774	255,287
Movement in carrying value of specific investment		
Carrying value of investment at start of year	255,287	227,146
Share of surplus/(deficit) for year	5,487	28,141
Carrying value of investment at end of year	260,774	255,287

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.

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.

For joint operations, Council recognises its direct right to, and its share of jointly held assets, liabilities, revenues and expenses of joint operations.

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.

(b) Community Asset Committee

All entities controlled by Council that have material income, expenses, assets or liabilities, such as committees of management, have been included in this financial report. Any transactions between these entities and Council have been eliminated in full. Council has not appointed any community assets committees as defined by the Local Government Act 2020.

Avenel Memorial Hall
Boho South Hall
Creighton's Creek Recreation Reserve Hall
Euroa Band Hall - William Pearson Memorial Hall
Euroa Bowling Club - Clubrooms
Euroa Croquet Club - Clubrooms
Euroa Friendlies Reserve - Clubrooms
Euroa Third Age Club
Gooram Hall & Fire Station
Longwood Community Centre
Miepoll Public Hall
Nagambie Recreation Reserve
Nagambie Senior Citizen Club
Nagambie Speedway - Clubrooms
Ruffy Public Hall
Ruffy Tableland Community Centre
Strathbogie Memorial Hall
Violet Town Recreation Reserve
Violet Town Community Centre

Notes to the Financial Report For the Year Ended 30 June 2022

	2022 No.	2021 No.
Note 7 People and relationships		
7.1 Council and key management remuneration		
(a) Related Parties		
<i>Parent entity</i>		
Model Council is the parent entity.		
<i>Subsidiaries and Associates</i>		
Interests in subsidiaries and associates are detailed in Note 6.3.		
(b) Key Management Personnel		
Key management personnel (KMP) are those people with the authority and responsibility for planning, directing and controlling the activities of Strathbogie Shire Council. The Councillors, Chief Executive Officer, Directors and Executive Managers are deemed KMP.		
Details of KMP at any time during the year are:		
Councillors		
Cr Laura Binks		
Cr Paul Murray		
Cr Chris Raeburn		
Cr Kristy Hourigan		
Cr Reg Dickinson		
Cr Sally Hayes-Burke		
Cr David Andrews (from 21/09/2021)		
Cr Melanie Likos (until 17/08/2021)		
Chief Executive Officer		
Director - Corporate Operations		
Director - Community & Planning		
Executive Manager People & Culture *		
Director - People & Governance **		
Executive Manager Governance & Customer Service **		
Executive Manager Communications and Engagement		
Total Number of Councillors	8	13
Total of Chief Executive Officer and other Key Management Personnel	6	6
Total Number of Key Management Personnel	14	19
* Executive Manager People & Culture position abolished during the year.		
** Executive Manager Governance & Customer Service became Director - People & Governance after internal organisational realignment.		
(c) Remuneration of Key Management Personnel	2022	2021
	\$	\$
Total remuneration of key management personnel was as follows:		
Short-term benefits	1,259,638	1,305,834
Long-term benefits	9,078	12,459
Post employment benefits	115,502	124,606
Termination benefits	47,855	15,720
Total	1,432,073	1,458,619
The numbers of key management personnel whose total remuneration from Council and any related entities, fall within the following bands:		
	2022 No.	2021 No.
\$1 - \$9,999	1	5
\$10,000 - \$19,999	1	6
\$20,000 - \$29,999	3	1
\$30,000 - \$39,999	1	1
\$40,000 - \$49,999	1	-
\$50,000 - \$59,999	1	1
\$100,000 - \$109,999	1	1
\$110,000 - \$119,999	-	1
\$170,000 - \$179,999	-	2
\$180,000 - \$189,999	1	1
\$200,000 - \$209,999	1	1
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	1	-
\$260,000 - \$269,999	-	1
\$270,000 - \$279,999	1	
	14	21

(d) Senior Officer Remuneration

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

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

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

	2022	2021
Income Range:	No.	No.
\$151,000 - \$159,999	3	2
\$160,000 - \$169,999	2	1
	<u>5</u>	<u>3</u>

Total Remuneration for the reporting year for Senior Officers included above, amounted to:	791,316	476,101
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7.2 Related party disclosure

	2022	2021
	\$	\$

(a) Transactions with related parties

During the period Council entered into the following transactions with related parties.

Other Related Party Expenses **	36,180	12,852
Euroa Caravan Park - Operating and Capital Expenses *	19,469	52,134
Euroa Caravan Park - Lease Income *	133,618	68,629

(b) Outstanding balances with related parties

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties

Euroa Caravan Park - Sundry Debtors (Lease) *	69,603	96,672
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(c) 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.

(d) Commitments to/from related parties

The aggregate amount of commitments in existence at balance date that have been made, guaranteed or secured by the Council to a related party are as follows:

Euroa Caravan Park - Commitments to related parties - Amount allocated for specific purposes *	226,539	112,391
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* On 26 June 2013 Council entered into a lease agreement with a tenant for 21 years for Euroa Caravan park and subsequently the lease agreement was transferred to the new tenant Lilly Ann Pty Ltd on 27 February 2017. Councillor Kristy Hourigan is a director of Lilly Ann Pty Ltd and Kristy Hourigan became a Councillor from 17/11/2020. There has been no change to the terms and conditions of the lease agreement during the year.

**Related to transactions with related parties to Amanda Tingay - Director Community & Planning (\$22,030) and Councillor Chris Raeburn (\$14,150).

Note 8 Managing uncertainties

8.1 Contingent assets and liabilities

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

(a) Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council. At balance date the Council is not aware of any contingent assets.

(b) Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council; or
- present obligations that arise from past events but are not recognised because:
- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Superannuation

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

Landfill

Council does not have operational landfill. However Council has budgeted to carry out site rehabilitation works at Violet Town old landfill in 2022/23. A contractor has been appointed to carry out rehabilitation at Violet Town landfill. Estimated total cost of the project is \$2.7 million and projected to complete in 2022/23. Council has an obligation to maintain landfill after the rehabilitation work. Landfill provision (\$4,002k) include both rehabilitation and future maintenance cost.

Insurance claims

There are no major insurance claims that could have a material impact on future operations.

Legal matters

There are no major legal matters that could have a material impact on future operations.

Building cladding

Council is not exposed to any potential contingents that may exist in relation to rectification works or other matters associated with building cladding that may have the potential to adversely impact on Council.

Liability Mutual Insurance

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

MAV Workcare

Council was a participant of the MAV WorkCare Scheme. The MAV WorkCare Scheme provided workers compensation insurance. MAV WorkCare commenced business on 1 November 2017 and the last day the Scheme operated as a self-insurer was 30 June 2021. In accordance with the Workplace Injury Rehabilitation and Compensation Act 2013, there is a six year liability period following the cessation of the Scheme (to 30 June 2027). During the liability period, adjustment payments may be required (or received). The determination of any adjustment payments is dependent upon revised actuarial assessments of the Scheme's tail claims liabilities as undertaken by Work Safe Victoria. If required, adjustments will occur at the 3-year and 6-year points during the liability period, and will affect participating members.

(c) Guarantees for loans to other entities

Council does not have any 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.

8.2 Change in accounting standards

Certain new Australian Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2022 reporting period. Council assesses the impact of these new standards. As at 30 June 2022 there were no new accounting standards or interpretations issued by the AASB which are applicable for the year ending 30 June 2023 that are expected to impact Council.

8.3 Financial instruments

(a) Objectives and policies

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

(b) Market risk

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

Interest rate risk

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

Investment of surplus funds is made with approved financial institutions under the *Local Government Act 2020*. Council manages interest rate risk by adopting an investment policy that ensures:

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

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

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

(c) Credit risk

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

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

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

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

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

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

(d) Liquidity risk

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

To help reduce these risks Council:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has 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
- 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 8.1(c), and is deemed insignificant based on prior periods' data and current assessment of risk.

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

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

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

(e) Sensitivity disclosure analysis

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

- A parallel shift of + 1.75% and -0.25% in market interest rates (AUD) from year-end rates of 3.84%.

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

8.4 Fair value measurement

Fair value hierarchy

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

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

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

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

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

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

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

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

Revaluation

Subsequent to the initial recognition of assets, non-current physical assets, other than plant and equipment, are measured at their fair value, being the price that would be received to sell an asset (or paid to transfer a liability) in an orderly transaction between market participants at the measurement date.

At balance date, the Council reviewed the carrying value of the individual classes of assets measured at fair value to ensure that each asset materially approximated its fair value. Where the carrying value materially differed from the fair value at balance date, the class of asset was revalued.

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

Impairment of assets

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

8.5 Events occurring after balance date

During June/July 2022, the Chief Executive Officer implemented a slight realignment of the organisation structure. Director Corporate Operations position was renamed as Director Sustainable Infrastructure and Projects, Assets Management, Works and Environment & Waste teams were brought under one directorate to better service the community.

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

Note 9 Other matters

9.1	Reserves	Balance at beginning of reporting period	Increment (decrement)	Balance at end of reporting period
		\$	\$	\$
(a) Asset revaluation reserves				
2022				
Property				
	Land and land improvements	23,815,626	-	23,815,626
	Buildings	26,958,316	-	26,958,316
		50,773,942	-	50,773,942
Plant and Equipment				
	Cultural and heritage assets	1,541,200	-	1,541,200
Infrastructure				
	Roads	89,369,647	31,022,759	120,392,406
	Bridges	30,085,240	8,139,760	38,225,000
	Footpaths and cycleways	1,600,498	-	1,600,498
	Drainage	4,026,118	-	4,026,118
	Parks, open space and streetscapes	6,786,361	-	6,786,361
	Aerodromes	2,954,641	-	2,954,641
	Other infrastructure	17,093	-	17,093
		134,839,598	39,162,519	174,002,117
	Total asset revaluation reserves	187,154,740	39,162,519	226,317,259
2021				
Property				
	Land and land improvements	27,268,862	(3,453,236)	23,815,626
	Buildings	27,073,316	(115,000)	26,958,316
		54,342,178	(3,568,236)	50,773,942
Plant and Equipment				
	Cultural and heritage assets	1,541,200	-	1,541,200
Infrastructure				
	Roads	89,369,647	-	89,369,647
	Bridges	30,085,240	-	30,085,240
	Footpaths and cycleways	1,600,498	-	1,600,498
	Drainage	4,026,118	-	4,026,118
	Parks, open space and streetscapes	6,444,635	341,726	6,786,361
	Aerodromes	2,954,641	-	2,954,641
	Other infrastructure	17,093	-	17,093
		134,497,872	341,726	134,839,598
	Total asset revaluation reserves	190,381,250	(3,226,510)	187,154,740

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

	Balance at beginning of reporting period	Transfer from accumulated surplus	Transfer to accumulated surplus	Balance at end of reporting period
	\$	\$	\$	\$
(b) Other reserves				
2022				
	Bridge replacement reserve	-	-	-
	Open space reserve	185,178	16,100	201,278
	Total Other reserves	185,178	16,100	201,278
2021				
	Bridge replacement reserve	750,000	(750,000)	-
	Open space reserve	108,958	-	185,178
	Total Other reserves	858,958	(750,000)	185,178

	2022 \$	2021 \$
9.2 Reconciliation of cash flows from operating activities to surplus/(deficit)		
Surplus/(deficit) for the year	7,016,933	6,365,056
Depreciation/amortisation	6,823,505	6,553,837
Profit/(loss) on disposal of property, infrastructure, plant and equipment	(28,389)	(143,869)
Written down value of infrastructure assets replaced	-	12,650
Contributions - Non-monetary assets	(1,721,874)	(1,363,611)
Borrowing costs/Finance Cost	37,000	42,300
Share of net profits of associates	(5,487)	(28,141)
Other	46,678	51,140
Change in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(834,372)	544,472
Trust funds and other deposits received (repaid)	132,422	109,545
(Increase)/decrease in prepayments	118,542	(151,984)
Increase/(decrease) in accrued income	62,576	328,927
Increase/(decrease) in trade and other payables	(1,139,809)	1,025,505
(Decrease)/increase in other liabilities	(550,081)	2,265,015
(Increase)/decrease in inventories	(6,847)	(4,041)
Increase/(decrease) in provisions	(2,149,652)	966,071
Net cash provided by/(used in) operating activities	7,801,145	16,572,871

9.3 Superannuation

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

Accumulation

The Fund's accumulation category, Vision MySuper/Vision Super Saver, receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings (for the year ended 30 June 2022, this was 10.0% as required under Superannuation Guarantee (SG) legislation (2021: 9.5%)).

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 Strathbogie Shire 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 2021, 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 109.8%. The financial assumptions used to calculate the VBI were:

Net investment returns 4.75% pa
Salary information 2.75% pa
Price inflation (CPI) 2.25% pa.

As at 30 June 2022, an interim actuarial investigation is underway as the Fund provides lifetime pensions in the Defined Benefit category. It is expected to be completed by 31 October 2022.

Vision Super has advised that the VBI at 30 June 2022 was 102.2%. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021). The financial assumptions used to calculate this VBI were:

Net investment returns 5.5% pa
Salary information 2.5% pa to 30 June 2023, and
3.5% pa thereafter
Price inflation (CPI) 3.0% pa.

The VBI is used as the primary funding indicator. Because the VBI was above 100%, the 30 June 2021 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

(a) Regular contributions

On the basis of the results of the 2021 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 2022, this rate was 10.0% of members' salaries (9.5% in 2020/21). This rate is expected to increase in line with any increases in the SG contribution rate and was reviewed as part of the 30 June 2020 triennial valuation.

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

(b) Funding calls

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

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

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

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

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

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

The 2021 interim actuarial investigation surplus amounts

An actuarial investigation is conducted annually for the Defined Benefit category of which Council is a contributing employer. Generally, a full actuarial investigation is conducted every three years and interim actuarial investigations are conducted for each intervening year. An interim investigation was conducted as at 30 June 2021 and the last full investigation was conducted as at 30 June 2020.

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

	2021 (Interim) \$m	2020 (Triennial) \$m
- A VBI Surplus	214.7	100.0
- A total service liability surplus	270.3	200.0
- A discounted accrued benefits surplus	285.2	217.8

The VBI surplus means that the market value of the fund's assets supporting the defined benefit obligations exceed the vested benefits that the defined benefit members would have been entitled to if they had all exited on 30 June 2021.

The total service liability surplus means that the current value of the assets in the Fund's Defined Benefit category plus expected future contributions exceeds the value of expected future benefits and expenses as at 30 June 2021.

The discounted accrued benefit surplus means that the current value of the assets in the Fund's Defined Benefit category exceeds the value of benefits payable in the future but accrued in respect of service to 30 June 2021.

Council was notified of the 30 June 2021 VBI during August 2021 (2020: August 2020).

The 2022 interim actuarial investigation

An interim actuarial investigation is being conducted for the Fund's position as at 30 June 2022 as the Fund provides lifetime pensions in the Defined Benefit category. It is anticipated that this actuarial investigation will be completed by October 2022. Council was notified of the 30 June 2022 VBI during August 2022 (2021: August 2021).

Superannuation contributions

Contributions by Council (excluding any unfunded liability payments) to the above superannuation plans for the financial year ended 30 June 2022 are detailed below:

Scheme	Type of Scheme	Rate	2022 \$	2021 \$
Vision super	Defined benefits	10.0% (2021:9.5%)	64,633	59,242
Vision super	Accumulation	10.0% (2021:9.5%)	448,209	428,532
Other funds	Accumulation	10.0% (2021:9.5%)	475,025	452,098

Council hasn't paid any unfunded liability payments to Vision Super in 2020/21 or 2021/22. Council does not expect to pay to the Defined Benefit category of Vision Super for the year ending 30 June 2023.

10 Change in accounting policy

There have been no changes to accounting policies in the 2021-22 year.

There are no pending accounting standards that are likely to have a material impact on Council